Atlantia

Comunicato Stampa

STANDARD & POOR'S RIVEDE I RATING DEL GRUPPO ATLANTIA

Roma, 20 settembre 2019 – 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 'BB+'. Allo stesso tempo, il rating di Aeroporti di Roma passa da 'BBB+' 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 S&P.

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Research Update:

Atlantia SpA Ratings Lowered To 'BBB-' On Heightened Legal And Regulatory Risks; Outlook Negative

September 20, 2019

Rating Action Overview

- In our view, Italy-based toll road and airport operator Atlantia SpA is now more exposed to negative legal or regulatory actions, including renegotiations of concessions in the toll-road sector that the new Italian government has put forward in its agenda.
- The increased exposure follows allegations that some employees at Atlantia's subsidiaries may have misreported and omitted information in safety reports to the grantor of the toll-road concessions. These allegations are subject to an ongoing criminal investigation.
- In addition, Atlantia's CEO resigned on Sept. 17, 2019, at a time when Atlantia is focusing on the integration of recently acquired Spanish toll-road operator Abertis and is assessing a potential involvement in the financial rescue of Italian airline Alitalia.
- We still do not assume a revocation of the Italian toll road concession operated by Atlantia's subsidiary Autostrade per l'Italia (ASPI) because of the adverse economic and financial impact that such an action might have on the grantor, based on the terms of the concession contract.
- We are lowering the long-term issuer credit ratings on Atlantia and ASPI to 'BBB-' from 'BBB'. At the same time, we are lowering the long-term issuer credit rating on Atlantia's operating subsidiary Aeroporti di Roma (AdR) to 'BBB' from 'BBB+', based on AdR's partial insulation from the creditworthiness of its parent Atlantia.
- The negative outlook on Atlantia and ASPI reflects our view that the ongoing criminal investigations could further weaken Atlantia's creditworthiness and of the persisting uncertainties around the ASPI concession.

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Rating Action Rationale

The downgrades reflect our view that Atlantia now faces greater regulatory and legal risks following allegations that some of its subsidiaries' employees may have misreported and omitted information in reports to the grantor of the toll-road concessions on the safety of some bridges that form part of ASPI's network. These allegations are subject to an ongoing criminal investigation.

At the same time, the resignation of Atlantia's CEO on Sept. 17, 2019, comes at a time when Atlantia is focusing on the integration of Abertis following its acquisition by Atlantia and Hochtief ACS in October 2018, and is assessing a potential involvement in the financial rescue of Italian airline Alitalia.

Although no criminal charges have been leveled against Atlantia so far, we believe that the ongoing investigation weakens the company's position in negotiations with the grantor of the ASPI concession and in the broader toll-road sector concession renegotiations that the new Italian government has put forward in its agenda.

The negative outlook on Atlantia and ASPI reflects our view that uncertainty remains on the impact that the ongoing criminal and administrative proceedings may have on the ASPI concession, as well as on the terms of a potential renegotiation of the concession.

Nevertheless, we still do not assume a revocation of ASPI's concession in our base case because of the strong contractual provisions in the ASPI concession agreement, and, in particular, because of the adverse economic and financial impact that such an action might have on the grantor.

Our base case assumes that Atlantia will keep its current ownership stake in ASPI of 88%. We therefore continue to consider ASPI as a core subsidiary for Atlantia, contributing to about 32% of Atlantia and its subsidiaries' (the group's) total EBITDA after the consolidation of Abertis. In our view, Atlantia's links and support to ASPI are further corroborated by the guarantee that Atlantia provides on about €5.3 billion of ASPI's bonds (about 55% of ASPI's total outstanding debt).

We have revised downward our assessment of Atlantia's management and governance to fair from satisfactory, reflecting heightened regulatory risk and Atlantia's mandate to an external audit company to scrutinize its internal procedures and internal controls.

The criminal investigation into allegations against some employees at Atlantia's subsidiaries runs in parallel to the criminal investigation into the collapse of Genoa bridge in August last year. The latest investigation has involved some employees of ASPI and SPEA, with SPEA being Atlantia's subsidiary responsible for monitoring and surveilling most of ASPI toll roads in Italy. The investigation that led to the recent criminal allegations stemmed from the initial investigation into the Genoa bridge collapse and concerns the alteration of information on two bridges within reports due to the grantor.

Aspi and SPEA have taken action by suspending or removing the employees subject to the investigation, and Atlantia mandated an external audit company to verify the correct application of internal procedures and the effectiveness of internal control systems.

The investigations are still at an early stage and we continue to monitor any legal or regulatory developments.

With these uncertainties in mind, we continue to forecast that Atlantia's S&P Global Ratings-adjusted funds from operations (FFO) to debt will remain in the range of 11%-12%, based on the full consolidation of Abertis, flat traffic growth on ASPI's network over 2019 and 2020, and recurrent maintenance and safety inspection costs of €150 million annually for ASPI. Atlantia's financial results reported for the first half of 2019 did not change our forecasts.

Atlantia has high financial gearing, reflecting the large amount of debt consolidated within the group after the recent acquisition of Abertis (€45.6 billion as of June 30, 2019).

We could lower the ratings on Atlantia and ASPI by more than one notch if, in contrast to what is specified in the concession contract, the termination of the concession creates a liquidity event for certain of ASPI's credit facilities and ASPI's bonds that contain a put option. This means that in the event of a termination of the concession, ASPI's debt could be accelerated by creditors and redeemed at par with accrued interest. An important mitigant, however, is that according to the concession agreement, a termination of the concession is not effective until a termination payment is duly received by the concessionaire.

Outlook

The negative outlook on Atlantia and ASPI reflects our view that the impact of the ongoing criminal investigations could weaken Atlantia's credit metrics because the investigations put the company in a weaker position in the possible renegotiation of the ASPI concession.

Our current investment-grade rating is supported by the strengths of the ASPI concession agreement, which sets out the right of the concessionaire to receive a termination payment by the grantor upon revocation of the concession.

Downside scenario

We could lower the ratings on Atlantia and ASPI by one notch if Atlantia's FFO to debt were to fall toward 10%, for example, driven by reduced remuneration, lower tariffs under a renegotiated agreement, or criminal charges against Atlantia. In addition, downward rating pressure could also occur should we see a reduction in the predictability of the operating and legal environment of Atlantia's activities in Italy.

We could lower the ratings on Atlantia and ASPI by more than one notch if a concession termination appears more likely, particularly if the termination were to occur outside the terms of the concession agreement and without adequate and timely compensation. Such an event could trigger a liquidity event for ASPI, as ASPI's bonds and certain credit facilities might be immediately accelerated.

Finally, any unexpected weakening of the liquidity position of Atlantia or the group as a whole, absent strong mitigating actions by Atlantia on dividends or capital spending, could also lead us to lower the ratings on Atlantia and ASPI by one or two notches.

Upside scenario

We could revise the outlook to stable once we have more information on the impact of the ongoing criminal investigations or the potential renegotiation of the ASPI concession, and at the same time, if we were to consider Atlantia able to maintain FFO to debt above 10% on a sustainable basis.

Liquidity

We assess Atlantia's liquidity both including and excluding Abertis.

Excluding Abertis, Atlantia's adequate liquidity is based on our forecast that the ratio of liquidity sources and uses will be well above 1.2x over the next 12 months. Our assessment is also supported by Atlantia's solid relationship with banks and generally prudent risk management.

Atlantia's principal liquidity sources, excluding Abertis, over the 12 months to June 30, 2020, include:

- Available undrawn bank lines of €5.0 billion, including two revolving facilities at the Atlantia level for a total commitment of €3.25 billion. These facilities were fully undrawn as of June 30, 2019;
- Cash available of €2.2 billion; and
- Positive FFO of €1.6 billion, according to our forecasts.

Atlantia's principal liquidity uses, excluding Abertis, over the same period include:

- Debt maturities of €1.5 billion, of which €0.6 billion at ASPI;
- Capital spending of €1.0 billion-€1.3 billion; and
- Dividend payments of about €1 billion, funded by dividends received by Abertis and other subsidiaries.

We understand that there are acceleration clauses in certain of ASPI's credit facilities, totaling €2 billion. These clauses are triggered if the rating on ASPI falls below a certain level. Early repayment of these credit facilities could be also triggered in the event of an ASPI concession termination.

On a consolidated basis with Abertis, we estimate that Abertis' liquidity sources will cover uses by more than 1.2x over the next 12 months.

The refinancing of the bridge-to-bond facility of €4.7 billion, due May 2020, which was part of Abertis' acquisition debt, has been completed through a €3.1 billion bond issuance by Abertis in March 2019.

Abertis' disposal proceeds are in line with our expectations and the €2.2 billion bridge-to-disposal loan facility due May 2020 was refinanced. Abertis has also issued €1.5 billion notes on September 2019 for the refinancing existing debt and general corporate purposes.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of June 30, 2019, Atlantia's capital structure consists of €45.6 billion of debt, of which only €5.7 billion (13%) is issued at the Atlantia holding level, €9.9 billion at the ASPI level, and €26.0 billion at the Abertis level.

Analytical conclusions

The priority debt ratio is substantially higher than our 50% threshold. The amount of debt within Atlantia's subsidiaries represents about 87% of the total debt. In our view, therefore, the geographical diversification provided by the Abertis acquisition is not able to mitigate the structural subordination of Atlantia's debt.

We therefore rate Atlantia's unsecured debt 'BB+', one notch below the issuer credit rating on Atlantia.

We rate the unsecured debt issued or guaranteed by the operating subsidiaries ASPI and Aeroporti di Roma (AdR) 'BBB-' and 'BBB', respectively--the same as the respective issuer credit ratings on ASPI and AdR.

Impact On The Rating On AdR

The lowering of the long-term rating on AdR to 'BBB' from 'BBB+' reflects that we cap the rating on AdR at one notch higher than the rating on its parent and almost 100% owner, Atlantia.

We assess AdR's stand-alone credit profile at 'a+', reflecting AdR's relatively strong balance sheet, even considering the company's large capital expenditure plan to ramp up terminal capacity at Fiumicino Airport in Rome.

The negative outlook on AdR reflects that on its parent Altantia. However, if we take any further negative rating actions on Atlantia, a downgrade of AdR may not be automatic. Any decision to allow more than a one-notch differential between the ratings on Atlantia and AdR will depend on our view of the strengths of the regulatory framework, including any effective oversight or intervention, and on our view of the likelihood of potential negative intervention by the parent.

We notice that there are no cross-default provisions or guarantees in AdR's euro medium-term note (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 the Italian civil aviation authority, ENAC, as the grantor. We believe that ENAC's requirement that AdR maintain a debt service coverage ratio (DSCR) of above 1.2x (2018: 6.0x) provides some protection to our rating on AdR. 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 from each of the Ministry of Economic Affairs, Ministry of Finance, and MIT.

In addition to the rating actions listed above on Atlantia, ASPI, and AdR, we have also taken the following rating actions:

- Lowered to 'BBB-' from 'BBB' the issue rating on the senior unsecured debt under the €10 billion EMTN program (originally issued by Atlantia but then transferred to ASPI);
- Lowered to 'BBB-' from 'BBB' the issue rating on the €7 billion EMTN program and senior unsecured debt issued by ASPI;
- Lowered to 'BB+' from 'BBB-' the issue rating on Atlantia's €10 billion EMTN program, reflecting the structural subordination of holding company Atlantia's debt;
- Lowered to 'BBB' from 'BBB+' the issue rating on the EMTN program and senior unsecured debt issued by AdR; and
- Lowered to 'A-3' from 'A-2' the short-term issuer credit ratings on Atlantia and ASPI;
- Affirmed at 'A-2' the short-term issuer credit rating on AdR.

Ratings Score Snapshot

Atlantia SpA

Issuer credit rating: BBB-/Negative/A-3

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: Fair (no impact)
- Comparable rating analysis: Negative (-1 notch)

Stand-alone credit profile: bbb-

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- 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
- Criteria | Corporates | Industrials: Key Credit Factors For The Transportation Infrastructure Industry, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment 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, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

Downgraded; CreditWatch/Outlook Action

	To	From
Atlantia SpA		
Autostrade per l'Italia SpA		
Issuer Credit Rating	BBB-/Negative/A-3	BBB/Watch Neg/A-2
Atlantia SpA		
Senior Unsecured	BB+	BBB-/Watch Neg
Aeroporti di Roma SpA		
Senior Unsecured	BBB	BBB+/Watch Neg
Autostrade per l'Italia SpA		
Senior Unsecured	BBB-	BBB/Watch Neg

Downgraded; CreditWatch/Outlook Action; Ratings Affirmed

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

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.