



Press Release

STANDARD & POOR'S REAFFIRMED RATINGS ON ATLANTIA, AUTOSTRADE PER L'ITALIA AND AEROPORTI DI ROMA WITH A CHANGE IN OUTLOOK TO NEGATIVE FROM STABLE

Rome, 16 May 2017 – Atlantia informs that Standard & Poor's following the launch of a voluntary public tender offer on the entire issued share capital of Abertis Infraestructuras S.A. has reaffirmed 'BBB+' rating on Atlantia, Autostrade per l'Italia and Aeroporti di Roma with a change in outlook to Negative from Stable. At the same time, Standard & Poor's reaffirmed 'BBB' rating on Atlantia €3bn EMTN Programme.

Atlantia Chief Financial Officer, Mr. Giancarlo Guenzi, has commented as follows:

“We are pleased about Standard and Poor's decision to reaffirm the ‘BBB+’ ratings, particularly in the context of a transforming transaction as the one with Abertis is. It shows once again Atlantia Group financial solidity, the negative outlook is to be considered the natural consequence of the announcement, pending final acceptance levels to the Offer.”

The announcement issued by the rating agency is attached.

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Research Update:

Atlantia SpA Outlook Revised To Negative Following Launch Of Friendly Takeover Of Abertis; Ratings Affirmed

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Overview

- Atlantia SpA today launched a voluntary tender offer on all outstanding shares of Abertis Infraestructuras S.A. for €16.3 billion. Atlantia is planning to pay Abertis shareholders by cash (up to 90% of capital) and by special shares (up to 23% of capital). The voluntary tender offer is subject to a minimum acceptance of 10% of outstanding shares for a partial share offer and 50.1% acceptance overall.
- We view the friendly takeover as aligned with Atlantia's strategy of diversifying its business to reduce its exposure to Italy, making the group more flexible and better able to withstand country-specific shocks. We therefore see the transaction as positive from an operational perspective despite the increased exposure to Latin America's soft currencies. We expect Atlantia's leverage to increase significantly given the acquisition debt. The potential impact on the rating will depend on the level of acceptance by shareholders, the portion of payment in shares, and future assets sales or capital increase.
- We are therefore revising our outlook on Atlantia to negative and affirming the ratings, including the 'BBB+/A-2' corporate credit rating.
- The negative outlook reflects our expectation that Atlantia's credit metrics will deteriorate and the group might struggle to return adjusted funds from operations to debt to at least 12%-13% on a sustainable basis. This will depend on the final terms of the takeover and how Atlantia will strategically manage its assets to provide financial flexibility, for instance by selling minority stakes in certain businesses or disposing of nonstrategic assets or a capital increase.

Rating Action

On May 16, 2017, S&P Global Ratings revised its outlook on Italy-based Atlantia SpA and its subsidiaries--toll road network operator Autostrade per l'Italia SpA (Aspi) and airport operator Aeroporti di Roma SpA (AdR)--to negative from stable. At the same time, we affirmed our 'BBB+' long-term and 'A-2' short-term corporate credit ratings on these companies.

In addition, we affirmed our 'BBB+' issue-level rating on the senior unsecured debt under the existing €10 billion euro medium-term note (EMTN) program originally issued by Atlantia but recently transferred to Aspi--and our 'BBB' rating on Atlantia's new €3 billion EMTN program.

Rationale

The outlook revision follows Atlantia's launch of a voluntary tender offer on all outstanding shares of Abertis Infraestructuras S.A. for €16.3 billion. Atlantia is planning to pay Abertis shareholders by cash (up to 90% of capital) and by special shares (up to 23% of capital). The voluntary tender offer is subject to a minimum acceptance of 10% of outstanding shares for a partial share offer.

Atlantia is the largest toll motorway operator in Italy and the second-largest transport infrastructure operator globally. If the Abertis transaction is successful, the combined company will be the largest transport infrastructure group globally, with a presence in 15 countries, over 13,000km of roads, 60 million airport passengers, and EBITDA of €6.6 billion (2016 figures).

In our view, the transaction will enhance Atlantia's competitive position given the larger footprint, which will enhance regional diversification by adding French and Spanish assets to the European operations. It will also strengthen the group's position in Latin America, where assets are complementary and synergies are achievable. Following the acquisition, the Abertis-owned French toll road operator Sanef would contribute 12% of the combined entity's EBITDA, and Spanish assets would account for 16%. In addition, the exposure to Chile and Brazil would increase to a combined 16% from the current 11%. As a result, the exposure to Italy would decline to 45% of total EBITDA from the current 86%, including AdR whose business is mostly related to global growth.

At the same time, we expect leverage to increase significantly given the acquisition debt. The potential impact on the rating will depend on the level of acceptance by shareholders, the portion of payment in shares, and how Atlantia will strategically manage its assets (such as by selling minority stakes in businesses or disposing of nonstrategic assets following the 10% sale of Aspi that is yet completed) to provide financial flexibility.

We expect the combined Atlantia/Abertis to have weighted average funds from operations (FFO) to debt of 10.0%-12.5% for 2018 and 2019. These credit metrics reflect:

- The two companies' respective S&P Global Ratings' base cases; and
- Our scenarios modelling various levels of acceptance by shareholders, partial share payments, and proceeds from the sales of minority stakes in certain core assets, or the divestment of noncore assets.

Prior to the execution of the takeover, we expect Atlantia to maintain adjusted weighted-average debt to EBITDA of about 3x-4x and adjusted FFO to debt at or above 16%. These credit metrics reflect our current base-case scenario, under which we assume:

- Stable operating performance for the Italian transport industry overall, with no major regulatory changes.

- Italian traffic volumes will grow by 1.3% in 2017 and in line with GDP in 2018 and 2019. Tariffs will increase in line with the tariff formula linked to the CPI. Italian GDP will grow by 0.9% in 2017, 1.0% in 2018, and 1.2% in 2019, with the CPI rising by 1.2%, 1.4%, and 1.6%, respectively, in these same years.
- Airport segment revenues will increase by about 30% in 2017, driven by the consolidation of Airports De La Cote d'Azur. However, traffic at AdR could be affected by potential disruptions caused by the ongoing Alitalia special administration, although we note that traffic was up 1.4% in first-quarter 2017 on an actual basis compared with first-quarter 2016; year-to-date traffic up 2.4% between beginning of year and May 7, after stripping out leap-year effect. Revenues will rise by 2%-3% in 2018 and 7%-8% in 2019.
- Brazilian traffic volumes will grow in line with our GDP forecasts, but revenues will increase at a double-digit percent rate in 2017 given tariff increases and forecast currency appreciation. In 2018 and 2019, revenues will grow at a low-single-digit percent rate.
- In Chile, revenues will increase at a double-digit percent rate in 2017 and 2018, driven by tariff increases, currency appreciation, and traffic that is rising twice as quickly as GDP. In 2019, traffic will grow in line with GDP and revenues at low-single-digit percent rates, offset by a depreciation in the Chilean peso.
- The consolidated EBITDA margin will decline by 100 basis points, largely as a result of Aéroports de la Côte d'Azur consolidation, a decline in tariffs at Ciampino, and flat margins in other businesses. Nevertheless, Aspi's margin will increase as a result of traffic and tariff growth and fixed costs constituting a high proportion of its total expenses.
- Capital expenditure (capex) and dividends of €2.5 billion in 2017, increasing to €2.9 billion in 2018.

In our view, Atlantia has high exposure to domestic country risk, but we still rate the group two notches above the 'BBB-' sovereign credit rating on Italy. This is because, based on our stress-test scenarios, we believe there is a reasonable likelihood that Atlantia would be able to withstand a sovereign default.

Liquidity

We assess Atlantia's liquidity as strong based on our forecast that sources will cover uses by more than 1.5x over the next 12 months and by more than 1.0x for the 12 months after that. Atlantia's liquidity is supported by its well-established and solid relationship with banks, generally high standing in capital markets, and prudent risk management. If the transaction closes--and depending on the levels of acceptance and partial share payment--we could revise our liquidity assessment to adequate to reflect our expectation that sources will cover uses by more than 1.2x.

We anticipate the following principal liquidity sources for the next 12 months as of Dec. 31, 2016:

- Available cash of €3.4 billion;

- Positive FFO of €2.0 billion;
- Undrawn bank lines with a maturity of at least 12 months totaling €2.0 billion; and
- €750 million issued by Atlantia in January 2017 under the new €3 billion EMTN program.

We anticipate the following principal liquidity uses for the same period:

- Debt maturities of €2.8 billion;
- Total capex of €1.4 billion;
- Total dividends paid of up to €1.1 billion; and
- Working capital uses of €100 million.

Outlook

The negative outlook reflects our expectation that if the voluntary offer is accepted, Atlantia's credit metrics will deteriorate, and the group could struggle to recover to an adjusted FFO to debt of at least 12%-13% on a sustainable basis. The impact on this ratio will depend on the final terms of the takeover and how Atlantia will strategically manage its assets to provide financial flexibility (such as by selling minority stakes in certain businesses, disposing of nonstrategic assets, or accessing the equity market).

Downside scenario

We could lower the ratings by one notch if Atlantia's core credit metrics were to deteriorate below 12% on a continuous basis, following the Abertis takeover. This could occur if, for example, a low proportion of payment in shares--combined with a very high level of acceptance--were not mitigated by additional divestments or by revision of the financial policy.

Upside scenario

We could revise the outlook back to stable if the final terms of the offer--combined with a rapid execution of asset disposals--allow Atlantia to achieve FFO to debt of 12%-13% by 2019.

Ratings Score Snapshot

Corporate credit rating: BBB+/Negative/A-2

Business risk: Strong

- Country risk: Moderately high
- Industry risk: Low
- Competitive position: Strong

Financial risk: Intermediate

- Cash flow/leverage: Intermediate

Anchor: a-

Modifiers

- Diversification/portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Strong (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Negative (-1 notch)

Stand-alone credit profile: bbb+

Related Criteria

- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, 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
- Criteria - Corporates - Industrials: Key Credit Factors For The Transportation Infrastructure Industry, Nov. 19, 2013
- General Criteria: Group Rating Methodology, 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
- Criteria - Corporates - General: 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

Ratings List

Ratings Affirmed; Outlook Action

	To	From
Atlantia SpA Autostrade per l'Italia SpA Aeroporti di Roma SpA Corporate Credit Rating	BBB+/Negative/A-2	BBB+/Stable/A-2
Atlantia SpA Senior Unsecured	BBB	BBB
Aeroporti di Roma SpA Autostrade per l'Italia SpA Senior Unsecured	BBB+	BBB+

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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.globalcreditportal.com and at spcapitaliq.com. All ratings affected by this rating action can be found on the 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.

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