



Press Release

**STANDARD & POOR'S PLACED ON CREDITWATCH NEGATIVE ITS RATINGS FOR ATLANTIA, AUTOSTRADE PER L'ITALIA AND AEROPORTI DI ROMA**

Rome, 16 August 2018 – Atlantia announces that, following the collapse of a large section of the Morandi bridge in Genoa, Standard & Poor's has placed its ratings of Atlantia, Autostrade per l'Italia and Aeroporti di Roma, on CreditWatch Negative.

Standard & Poor's press release is attached.

**Investor Relations**

**e-mail:** [investor.relations@atlantia.it](mailto:investor.relations@atlantia.it)

**Media Relations**

**e-mail:** [media.relations@atlantia.it](mailto:media.relations@atlantia.it)

[www.atlantia.it](http://www.atlantia.it)

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## Research Update:

# Atlantia And Subsidiaries 'BBB+' Rating On CreditWatch Negative Following Bridge Collapse In Genoa

### Primary Credit Analyst:

Tania Tsoneva, CFA, London (44) 20-7176-3489; [tania.tsoneva@spglobal.com](mailto:tania.tsoneva@spglobal.com)

### Secondary Contact:

Michela Bariletti, London (44) 20-7176-3804; [michela.bariletti@spglobal.com](mailto:michela.bariletti@spglobal.com)

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## Overview

- On Aug. 14, 2018, an estimated 80-meter-long section of a 1,182-meter-long bridge in Genoa collapsed, causing casualties. The bridge is part of the A10 toll road operated by Italian toll road operator Autostrade per L'Italia (ASPI), which is 88% owned by Atlantia.
- The causes of the collapse are currently unknown and it is difficult to quantify the ramifications from an operational and financial perspective. Legal proceedings or even termination of the single concession agreement are possible, if there is a failure by the operator to fulfil its material obligations. Additional operational costs from emergency safety inspections or maintenance for assets of similar age or construction design could also emerge, putting pressure on ratios.
- We are placing our 'BBB+' ratings on Atlantia and its subsidiaries Aeroporti di Roma and ASPI on CreditWatch negative.
- The CreditWatch reflects the risk that the causes of the Genoa bridge collapse could bring potential litigation actions to Atlantia, resulting in material legal fines for damages or even termination of the ASPI concession. The magnitude of operational and financial consequences remain uncertain as well as the timing and amount of any potential compensation payment in case of termination.

## Rating Action

On Aug. 16, 2018, S&P Global Ratings placed its 'BBB+' long-term issuer credit ratings on Italy-based Atlantia SpA and its subsidiaries--toll road network operator Autostrade per I'Italia SpA (ASPI) and airport operator Aeroporti di Roma SpA (AdR)--on CreditWatch with negative implications. At the same time, we affirmed our 'A-2' short-term issuer credit ratings on these companies.

We also placed on CreditWatch with negative implications 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, as well as our 'BBB' rating on Atlantia's €10 billion EMTN program. The 'BBB+' rating on the EMTN programs and senior unsecured debt issued by ASPI and AdR is also on CreditWatch.

## Rationale

The CreditWatch placement follows the collapse of an estimated 80-meter-long section of the 1,182-meter-long bridge in the northern Italian city of Genoa, part of the A10 toll road operated by ASPI, which is 88% owned by Atlantia. The causes of the collapse are currently unknown. Information is currently limited, but the investigations into the cause of the Genoa bridge collapse could bring litigation that could result in Atlantia facing material legal fines for damages or, in an extreme case, termination of the ASPI concession if it is found negligent. The concession agreement covers ASPI's entire network, which is the largest in Italy, managing about 2,855 kilometers (km) of toll roads or 52% of the Italian tolled motorway network. We understand that the concession cannot be terminated unilaterally and a strict procedure must be followed, including the opportunity for ASPI to perform remedial work ahead of any termination. ASPI has certain insurance that covers damages to a single motorway asset, including business interruption as well as damages to third parties. The insurance could mitigate the overall financial impact of repair work and third-party-related liabilities, in the case of a successful claim by ASPI.

We see a further risk related to the put option in ASPI's bonds (about €8.5 billion) which could be voluntarily redeemed at par with accrued interest in the event of termination of the concession. In such an event, ASPI's ability to meet the bondholders' claims will depend on the timeliness and amount of the compensation under the concession contracts. We understand that the compensation is subject to penalties if the cause was due to ASPI's failure to fulfill its obligations.

We see limited headroom in Atlantia's credit ratios under our base case following its €16.7 billion bid to acquire Spanish toll road operator Abertis Infraestructuras S.A. in a consortium in May 2018. As a result, additional costs for emergency safety inspections or extraordinary maintenance expenditures on other network assets could impair the ability of Atlantia to maintain credit ratios commensurate with the current ratings. We have revised our traffic forecast on the ASPI network downward on the back of spillover effects on traffic from the accident as well as the weaker-than-anticipated traffic levels in the first half of 2018 due to heavy snowfall. If we also add additional cost of about €150 million, our credit metrics could fall below the guideline of 13% in terms of weighted average adjusted funds from operations (FFO) to debt over 2019-2020.

Some downside in our forecasts could arise if Atlantia and its consortium refinance the €16.7 billion all-cash acquisition of Abertis at a higher cost than we currently anticipate. The funding of approximately €10 billion in debt via a special-purpose vehicle (SPV) above Abertis is pending. On the positive side, Atlantia has proactively funded its overall contribution for the transaction, totaling over €6 billion. On July 4, 2018, Atlantia successfully completed the refinancing of a bridge loan for its acquisition of Abertis by raising a €1.750 billion five-year term loan and a five-year €1.250 billion

revolving credit facility.

Atlantia has demonstrated financial flexibility and commitment to the rating by asset divestments in the past. In addition, Atlantia controls about 1,850 km of toll road concessions in Latin America, notably in Chile and Brazil, and also holds stakes in toll roads in Poland (61 km) and India (110 km). Atlantia also owns AdR, which exclusively operates the two airports serving Rome--Roma Fiumicino, and Ciampino--which contributed about 7.6% of the Atlantia's EBITDA in 2017. From June 2017, Atlantia also consolidated Aeroports de la Cote d'Azur (ACA) located in Nice, France.

In our analysis, we assume full consolidation of Abertis' cash flows and debt into Atlantia's credit ratios because we believe that Atlantia can exercise full control through the corporate governance agreements signed by the shareholders (for further information see "Research Update: Italy-Based Atlantia Outlook Revised To Stable From Negative On Takeover Of Abertis; 'BBB+' Rating Affirmed" published May 15, 2018).

Our base-case scenario over 2019-2020 assumes:

- Stable operating performance for the Italian transport industry overall, with no major regulatory changes.
- Flat growth in Italian traffic volumes in 2018 and in 2019, and 1% in 2020, which is lower than the growth of Italian GDP. Tariffs will increase in line with the tariff formula, which includes return on remunerated capital expenditures (capex) and is linked to the consumer price index, rising by 1.3%, 1.3%, and 1.6%, respectively, in these years.
- Overall airport revenues will rise by 1%-2% in 2018, 7%-8% in 2019, and 6% in 2020, after 30% growth in 2017 due to the consolidation of ACA in Nice. We expect flat traffic volumes in 2018 in AdR due to lower passenger numbers from Alitalia, followed by traffic growth recovery as a result of the positive effects of the Terminal 3 and Terminal 1 extensions at Fiumicino, which will also boost commercial revenues. We expect revenues from ACA to rise by around 5% annually in future years.
- Brazilian traffic volumes will grow in line with our GDP forecasts, but revenues will decline in 2018 due to local currency devaluation relative to the euro. We expect revenue growth to resume in 2019 and 2020 at a low-single-digit percentage rate.
- In Chile, traffic will increase by a multiple of 2.0x of Chilean GDP in 2018 and 1.0x thereafter, but currency depreciation relative to the euro will limit revenue growth to a single-digit percentage rate in 2018-2019. We forecast revenue growth will pick up in 2020.
- Acquisition of 15% stake in Getlink and the dividend from equity affiliates Getlink and Hochtief.

Combined group:

- Revenues, EBITDA, and consolidated Abertis debt per our forecasts for Abertis. We exclude the dividend that Abertis pays to Atlantia as an

intercompany transaction.

- We have not yet assumed a merger between Abertis and the SPV, as planned by the new owners. This may affect the way we analyze the debt issued by the SPV, but is neutral to Atlantia's credit ratios.
- Potential synergies targeted by Atlantia, primarily at the Abertis level. The synergies derive from improving operating costs, integration of holding company functions in Italy, Brazil, and Chile, and in-sourcing and cross-selling of digital payment services through the Telepass platform.
- Transaction closes toward the end of 2018. Transaction, disposal, and integration costs mean that 2018 ratios are not representative.
- Capex for the combined group of about €3.5 billion-€3.7 billion in 2019-2020.
- Atlantia's dividend per share (DPS) increase by 30% on the 2016 DPS payout, as a takeover premium on top of 10% annual growth.

### Liquidity

We assess Atlantia's liquidity on a stand-alone basis because we do not expect Atlantia to have access to Abertis' cash flows until late 2018. On a stand-alone basis, Atlantia's liquidity is adequate based on our forecast that sources will cover uses by more than 1.2x over the next 12 months. We assess Atlantia's liquidity including undrawn portion of committed bank lines that expire in more than six months because we believe Atlantia has well-established and solid relationships with banks, generally high standing in the capital markets, and prudent risk management. We recognize that Hochtief--the formal buyer of Abertis until the implementation of the SPV structure--has slightly over €18.1 billion of transitional facilities available until April 13, 2019, to cover the takeover price.

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

- Available cash of €4.7 billion;
- Positive FFO of €2.4 billion; and
- Undrawn bank facilities available to draw within the next 12 months totaling €2.2 billion. €3.0 billion of term loans and revolving credit facilities with a five-year term to fund the equity contribution for Abertis and the acquisition from ACS of the minority stake in Hochtief, and a further €1.5 billion euro facility available to draw until May 14, 2019.

Principal liquidity uses over the same period include:

- Debt maturities of €3.5 billion;
- Capex of €1.3 billion;
- Acquisitions of €6.0 billion out of which €3.5 billion equity investment in the SPV and up to €2.5 billion for the Hochtief stake; and

- Total dividends paid up to €1.3 billion.

## CreditWatch

The CreditWatch placement reflects the risk that the investigations into the cause of the Genoa bridge collapse could bring litigation actions that could result in Atlantia facing material legal fines for damages or, in an extreme case, termination of the ASPI concession. The magnitude of the downgrade under such a scenario could be more than one notch and will depend on the potential compensation under the concession contracts and whether it covers fully and on time ASPI's bonds, which contain a put option. We expect to review the CreditWatch placement as new information emerges in relation to the investigation into the material causes of the event.

We could also lower the ratings by one notch if Atlantia's core credit metrics deteriorated below 12%. This could be driven by operational challenges or fines from the Genoa bridge collapse and a potentially higher refinancing cost from the Abertis takeover. 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 negatively affect 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.

## Issue Ratings--Subordination Risk Analysis

### Capital structure

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 do not anticipate changing the notching of Atlantia's unsecured debt once the Abertis takeover process is complete, and the final capital structure, including SPV debt, is known.

## 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

### CreditWatch Action

	To	From
Atlantia SpA		
Aeroporti di Roma SpA		
Autostrade per I'Italia SpA		
Long-Term Issuer Credit Rating	BBB+/Watch Neg	BBB+/Stable
Atlantia SpA		
Senior Unsecured	BBB/Watch Neg	BBB
Senior Unsecured	BBB+/Watch Neg	BBB+
Aeroporti di Roma SpA		
Autostrade per I'Italia SpA		



Senior Unsecured	BBB+/Watch Neg	BBB+
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Ratings Affirmed

Aeroporti di Roma SpA

Autostrade per l'Italia SpA

Atlantia SpA

Short-Term Issuer Credit Rating	A-2
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**Additional Contact:**

Infrastructure Finance Ratings Europe; InfrastructureEurope@spglobal.com

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](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://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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