MOODY'S
RATINGS

Rating Action: Moody's Ratings affirms Mundys' Ba1 CFR; outlook stable

21 Aug 2024

Aeroporti di Roma's Baa2 ratings are affirmed with stable outlook

Madrid, August 21, 2024 -- Moody's Ratings (Moody's) has today affirmed the Ba1 long-term corporate family rating (CFR), the Ba2 senior unsecured ratings and the (P)Ba2 rating of the senior unsecured euro medium-term note (EMTN) programme of Mundys S.p.A. (Mundys), one of the largest and diversified infrastructure groups in the world. At the same time, we have affirmed the Baa2 senior unsecured and the (P)Baa2 senior unsecured EMTN programme ratings of Italian airport operator Aeroporti di Roma S.p.A. (ADR). The outlooks of both issuers remain stable.

RATINGS RATIONALE

Today's rating affirmation takes into account the strong operating performance of the group's main subsidiaries, which have experienced solid traffic growth in 2023 and H1 2024, surpassing pre-pandemic levels in all toll roads and airport concessions; as well as consistent tariff increases aligned with their respective regulatory frameworks, which in most cases are linked to inflation. This led to a reported EBITDA growth of approximately 12% in 2023, improving EBITDA margin to around 60% for the consolidated group. We anticipate an EBITDA growth of about 8% in 2024, primarily supported by significant tariff increases at the beginning of the year, continued traffic growth, and the consolidation of recent acquisitions.

Overall, we expect the credit quality of Mundys group to continue to improve, given its commitment to gradually reduce the total amount of gross debt on balance sheet, which increased by around €4.2 billion to €41.5 billion (including hybrid issuances) in 2023, mainly due to M&A activities at Abertis group. In H1 2024, the group has already reduced its gross debt by around €1.5 billion. Total consolidated gross debt is expected to decrease further to close to €39 billion by year-end 2024, leading to an increase in Moody's adjusted funds from operations (FFO)/debt to around 9%. As Mundys continues to reduce its outstanding debt obligations and cash flow generation improves in line with main macroeconomic dynamics, such as economic activity and inflation, we expect Mundys' consolidated FFO/debt ratio to increase to above 10% by year-end 2025. Moreover, we anticipate that Moody's adjusted DSCR and CLCR metrics will also improve to 1.4x and 1.6x by year-end 2025, which is better than our previous expectations. As a result, we expect the group to be strongly positioned within the Ba1 rating category.

More broadly, the Ba1 CFR of Mundys group is supported by (1) its scale and focus in regulated toll road and airport sectors; (2) the strong fundamentals of Abertis' toll road network, which is diversified and comprises essential assets across several countries; (3) the strong operating performance and cash flow generation of ADR, one of the largest airport groups in Europe; (4) the reasonably established regulatory framework for most of its infrastructure businesses, albeit with some instances of political interference; (5) an estimated average concession life close to 14 years for the entire infrastructure portfolio by year-end 2024; and (6) a track record and expectation of maintenance of prudent dividend distributions and financial policies.

These positive factors are tempered by (1) the group's fairly complex structure, which involves minority shareholders and debt at intermediate holding companies, creating significant cash leakages; (2) the high financial leverage of Mundys group, with an estimated consolidated gross debt of around €39 billion and an FFO/debt ratio of approximately 9% by year-end 2024; and (3) increasing refinancing requirements starting from next year, although with sufficient liquidity available to cover expected debt maturities until year-end 2026.

The Baa2 rating of ADR is supported by (1) the strong fundamentals of its airports, representing the largest airport group in Italy; (2) the strength of its service area and favourable competitive position, given Rome's status as one of Europe's major capital cities; (3) the supportiveness of the concession and regulatory framework; (4) the high proportion of origin and destination passengers; (5) a fairly diversified carrier base with no meaningful exposure to weak airlines; and (6) the company's moderate financial leverage and excellent liquidity position. In particular, ADR's rating is currently constrained by that of (1) the Government of Italy (Baa3 stable), and (2) Mundys; as its current standalone credit profile suggests a higher rating than Baa2.

LIQUIDITY

The liquidity position of the Mundys consolidated group is strong. As of June 2024, the group had approximately €5.2 billion of cash and cash equivalents, of which €240 million at Mundys S.p.A. level, €934 million at Abertis Infraestructuras S.A. level, and €3.9 billion at the subsidiaries' level. In addition, the Mundys group had around €5.9 billion in committed undrawn facilities in total. Overall, we estimate that the group's liquidity position and sources of cash flows will be sufficient to cover its expenditures, debt service obligations, and dividend payments until at least year-end 2026. As of June 2024, around 77% of the consolidated debt was fixed-rate, and the weighted average cost of debt was close to 4.5%.

ADR's liquidity position is excellent, underpinned by €855 million of cash and cash equivalents as of June 2024. In addition, ADR has €350 million of undrawn committed credit facility, with maturity in October 2029. We expect that ADR's liquidity position and cash flow generation will be sufficient to cover its expenditures, debt service obligations, and dividend payments until at least year-end 2026. As of June 2024, 100% of its debt was fixed-rate, and the weighted average cost of debt was close to 2.2%.

STRUCTURAL CONSIDERATIONS

The Ba2 rating of the senior unsecured notes issued by Mundys is one notch below the Ba1 CFR, reflecting the structural subordination of the creditors at the holding company. As of June 2024, around 90% of the group's debt was raised at the subsidiary level, of which the majority is concentrated at Abertis group.

RATIONALE FOR STABLE OUTLOOK

The stable outlook on Mundys reflects our expectation that the group's operating performance will remain strong. We also expect that Mundys will maintain its current business risk profile, with a focus on expanding its regulated business in the toll roads and airport segments. The stable outlook also reflects our expectation that Mundys' consolidated FFO/debt ratio will remain around 9%-11% in the coming 2-3 years.

The stable outlook on ADR reflects our expectation that the company's financial metrics will remain strong and comfortably above the guidance for the Baa2 rating level, such that FFO/debt ratio will be around 20%-22% in the coming 2-3 years. The stable outlook also reflects the stable outlook on the ratings of (1) the Government of Italy; and (2) Mundys, given that ADR's rating is constrained by that of its parent.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Upward pressure on Mundys' ratings could develop with a reduction in indebtedness that resulted in a sustainable improvement in key credit metrics, with FFO/debt at around 12%, in conjunction with the maintenance of a good liquidity position. This guidance might be adjusted as Mundys' business risk profile and average concession life evolve, as well as with additional track record of implementation of the group's business strategy and financial policy.

Upward rating pressure on ADR's rating is unlikely in the near future. Positive rating pressure could develop following an upgrade of Mundys' and Italy's ratings, coupled with the maintenance of ADR's current financial performance.

Downward pressure on Mundys' ratings could materialise following a substantial deterioration in the group's financial leverage or its business risk profile, not balanced by additional cash flow generation.

Negative pressure on ADR's rating could arise following a downgrade of the Government of Italy's rating. In addition, negative pressures on Mundys' credit profile would put downward pressure on ADR's rating. Downward pressure on ADR's rating could also develop if (1) the company's financial profile weakens, so that FFO/debt drops below 13%; or (2) the company's liquidity profile deteriorates.

PRINCIPAL METHODOLOGY

The principal methodology used in rating Mundys S.p.A. was Privately Managed Toll Roads published in December 2022 and available at https://ratings.moodys.com/rmc-documents/396217. The principal methodology used in rating Aeroporti di Roma S.p.A. was Privately Managed Airports and Related Issuers published in November 2023 and available at https://ratings.moodys.com/rmc-documents/410952. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of these methodologies.

COMPANY PROFILE

Mundys S.p.A. is the holding company for a large group active in the infrastructure sector. Its main subsidiaries include Abertis Infraestructuras S.A., Grupo Costanera S.p.A, Aeroporti di Roma S.p.A. and Azzurra Aeroporti S.p.A. (holding company for Aéroports de la Côte d'Azur). In the 12 months to June 2024, the group reported €9 billion of consolidated revenue and €5.3 billion of consolidated EBITDA.

Aeroporti di Roma S.p.A. is the concessionaire for the two airports serving the city of Rome (Fiumicino and Ciampino), which recorded 44.4 million passengers in 2023. In the 12 months to June 2024, the company reported €1.2 billion of revenue and €548 million of EBITDA.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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