



Comunicato Stampa

## STANDARD & POOR'S PONE IN NEGATIVE WATCH I RATING DI ATLANTIA E AUTOSTRADE PER L'ITALIA

Roma, 10 dicembre 2019 – Atlantia informa che Standard & Poor's, in relazione alla persistente incertezza percepita sul quadro concessorio di Autostrade per l'Italia ha posto in "CreditWatch Negative" i rating di Autostrade per l'Italia e Atlantia.

Contemporaneamente, l'agenzia ha riaffermato il rating BBB di Abertis in relazione alla riconosciuta segregazione (fino a 2 notch) rispetto al rating del Gruppo Atlantia, con outlook che passa da stabile a negativo (analogamente per HIT e Sanef).

Infine Standard & Poor's ha riaffermato anche il rating BBB (negative outlook) di Aeroporti di Roma riconoscendo anche per ADR una segregazione (fino a 2 notch) rispetto al Gruppo Atlantia.

Il comunicato stampa dell'agenzia di rating è di seguito allegato.

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Research Update:

# Atlantia SpA Ratings Placed On CreditWatch Negative On Increased Risks Associated With ASPI Concession

December 10, 2019

## Rating Action Overview

- An increase in operational and regulatory risks means that Italian toll road and airport operator Atlantia SpA faces a heightened likelihood of weaker financial metrics. The contractual protections afforded to the concession operated by Atlantia's subsidiary Autostrade per l'Italia (ASPI) could weaken if the Italian parliament revokes a law governing the concession's legal framework.
- The recent collapse of a second bridge near Genoa (although the road was not operated by ASPI) and the stalling of Atlantia's potential involvement in the rescue of Alitalia have increased the negative political sentiment towards Atlantia. In an extreme scenario, if the ASPI concession is revoked with no termination payment, in our view this could trigger a liquidity event notably for ASPI, which could be extended to Atlantia.
- We are therefore placing our 'BBB-/A-3' issuer and 'BB+' issue credit ratings on Atlantia on CreditWatch negative and our 'BBB-/A-3' issuer and issue credit ratings on ASPI on CreditWatch negative. Owing to the risk of a multi-notch downgrade of Atlantia, we are revising to negative our outlook on its Spanish subsidiary Abertis and Abertis' own core subsidiaries HIT and Sanef. We affirmed our 'BBB' credit ratings on Atlantia's operating subsidiary, Aeroporti di Roma (AdR). The outlook on AdR remains negative.
- The CreditWatch placement indicates that if Atlantia's S&P Global Ratings-adjusted funds from operations (FFO) to debt fell below 10% or the ASPI concession loses its legal protections, we could downgrade Atlantia and ASPI by one notch. In the more extreme scenario of the revocation of the concession, we could lower our ratings on these companies by more than one notch.

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## Rating Action Rationale

The CreditWatch placement indicates that, in the current fluid political and legal situation, in our view there is an increased likelihood that one of the following scenarios may weaken Atlantia's

creditworthiness:

- The Italian parliament may decide to cancel Law n. 101/2008 that ensures some concessions, like ASPI, have the same ranking than an ordinary law under the Italian legal framework. The cancellation of that law could result in a weakening of ASPI's contractual protection, particularly whether a termination payment is due if the concession is revoked.
- The risk of the event above might lead to an agreement between Atlantia and the Italian Ministry of Infrastructure and Transport (MIT) on less favorable terms for ASPI, for example resulting in higher capital expenditure and lower tariff growth, which could weaken Atlantia's financial metrics more than previously anticipated.
- Under an extreme scenario, a joint decree by MIT and the Ministry of Economy and Finance (MEF) could revoke the ASPI concession, which, if there is no termination payment, could have difficult-to-predict legal and liquidity consequences.

The extent of any downgrade would depend on what decision is taken or agreed with ASPI, and what effect this may have on Atlantia's financial metrics, the strengths of its business, and its liquidity.

That said, we still see a one-in-two likelihood that Atlantia will maintain its adjusted FFO to debt of 10% or above and retain the ASPI concession. We base our view on the contractual strengths of the concession and the measures Atlantia could adopt to mitigate the negative impact of the measures it could agree with MIT, such as higher maintenance costs or lower revenues.

### **Downside risk for the ASPI concession has increased**

On Nov. 24, 2019, a bridge on the A6 near Genoa not operated by ASPI collapsed following a landslide. This event raised concerns about the safety of infrastructure operated by toll road concessionaires, increasing the negative political sentiment towards Atlantia following the collapse of Genoa Bridge on Aug. 14, 2018, which caused a number of casualties.

Pressure on the ASPI concession also followed warnings raised by the prosecutor in Genoa about the safety of two other bridges operated by ASPI in the region, which were closed overnight. Load tests carried out by third-party engineers later confirmed the safety of the bridges, which have now been re-opened to traffic.

Meanwhile, Atlantia announced that its conditions to participate in a binding offer for the ailing Italian airline Alitalia had not been met, which appears to have further strained its relationship with the government.

### **The ASPI concession's contractual protections could weaken**

The concession agreement includes contractual provisions that protect ASPI against a potential revocation of the concession. A joint decree by MIT and MEF could revoke the concession but ASPI is entitled to receive a termination payment from the MIT. This is calculated as the net present value of future cash flows up to maturity of the concession (in December 2038), net of (i) ASPI debt (€9.8 billion as of September 2019) and (ii) the cash flows generated between the announcement of the revocation up to the transfer of the assets. This amount would then be reduced by a 10% penalty amount.

A decision by the Italian parliament to cancel Law n. 101/2008, which ensures the ASPI concession has the same ranking than an ordinary law, could weaken the concessionaire's protection. In this

event, we could lower our ratings on Atlantia and ASPI by one notch, although we think it could result in a dispute with MIT.

This also reflects that under the ASPI concession a termination payment is due by the MIT even if there is a change in law or change in regulation. The consequences and timing of such a dispute are therefore difficult to predict.

To avoid such an event, we anticipate that Atlantia could accept an agreement on the ASPI concession on less favorable conditions than ASPI currently enjoys. This could result in a one-notch downgrade if Atlantia's FFO to debt were forecast to fall below 10%.

## **The potential revocation of the concession poses liquidity risks**

If the issuer credit ratings on Atlantia or ASPI fall below 'BBB-', it could create a liquidity event on about €2.1 billion of ASPI credit facilities under certain conditions. This risk is mitigated by a waiver that has now been extended to September 2021 and by €3.25 billion revolving credit facilities committed and undrawn at Atlantia's level.

In addition, if the ASPI concession were to be revoked, it could create liquidity events on certain ASPI and Atlantia bonds and credit facilities. 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 mitigating factor, however, is that we understand the put option on ASPI bonds could not be exercised until a termination payment is duly received by the concessionaire.

The termination of the ASPI concession does not, we understand, create an event of default under Atlantia's bonds, although in our view a liquidity event on ASPI could be extended to Atlantia in the absence of an adequate termination payment. If the concession is revoked, it could lead to us lowering our ratings on Atlantia and ASPI by multiple notches.

We have placed the following ratings on CreditWatch with negative implications:

- 'BBB-' issue credit rating on the senior unsecured debt under the €10 billion euro medium-term note (EMTN) program (originally issued by Atlantia but then transferred to ASPI);
- The 'BBB-' issue credit rating on the €7 billion EMTN program and senior unsecured debt issued by ASPI;
- The 'BB+' rating on Atlantia's €10 billion EMTN program; and
- The 'A-3' short-term ratings on Atlantia and ASPI.

## **The ratings on Abertis and its subsidiaries HIT and Sanef**

We affirmed our rating on Atlantia's 50.1%-owned subsidiary Abertis at 'BBB' because we see it as insulated, to a degree, from its parent Atlantia. This is because the minority shareholder, ACS/Hochtief (50% minus one share), has veto power on some strategic reserved matters, such as dividend distributions and major acquisitions.

However, we revised to negative from stable our outlook on Abertis because a multi-notch downgrade of Atlantia could trigger a negative rating action on its subsidiary, depending on the extent of the downgrade of Atlantia. We consider Abertis to be a highly strategic subsidiary for Atlantia. Our ratings on Abertis can be up to two notches higher than our issuer credit rating on Atlantia.

We also revised our outlook on HIT and Sanef to negative from stable, in line with the rating action

on Abertis. This is because we see HIT and its fully owned French toll road operator Sanef as core subsidiaries of Abertis.

## **The rating on AdR**

We affirmed our ratings on AdR at 'BBB' and we increased the number of potential notches of difference between our ratings on Atlantia and AdR to two. This reflects the regulatory oversight that we believe insulates AdR from Atlantia to a degree, combined with certain financial covenants that limit the financial leverage of AdR and therefore protect it at the current rating level.

Like Abertis, the negative outlook on AdR indicates that we consider that a multi-notch downgrade on Atlantia could trigger a negative rating action on AdR, depending on the extent of the downgrade on Atlantia.

## **CreditWatch**

The CreditWatch placement indicates that we could lower the ratings on Atlantia and ASPI by one notch following potential changes in the regulatory or concession framework. Such changes could lead to increased maintenance costs or lower remuneration on investments, which could lower Atlantia's FFO-to-debt ratio below 10%. If the Italian parliament decided to remove the ranking of ordinary law to the ASPI concession, it could also cause us to lower the rating because it would weaken ASPI's protection. In particular, it could call into question whether ASPI was entitled to a termination payment.

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

An unexpected weakening of Atlantia's liquidity position, without strong actions to mitigate the effect, could also cause us to lower the rating by one or multiple notches.

We could affirm the ratings if Atlantia maintains its adjusted FFO to debt at or above 10% while retaining the ASPI concession. This would be supported by the concession's contractual strengths and the measures ASPI may adopt to mitigate the negative impact of any agreement with MIT that led to higher maintenance costs or lower revenues.

We expect to review the CreditWatch placement as new information emerges on ASPI's concession agreement and on how it affects Atlantia's financial metrics, business strengths or liquidity position.

## **Liquidity**

We assess Atlantia's liquidity including and excluding Abertis.

Excluding Abertis, Atlantia's adequate liquidity is based on our forecast that sources will cover uses by more than 1.2x in the 12 months to September 2020, if the ASPI concession is not revoked. Our assessment is 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 Sept. 30, 2020, include:

- Available bank lines of about €5.2 billion, including two revolving credit facilities (RCFs) at the Atlantia level that total €3.25 billion and remain fully undrawn;
- Cash available of €3.0 billion; and
- Positive FFO of €1.7 billion, according to our forecasts.

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

- Debt maturities of €3.5 billion, including €2.1 billion ASPI facilities that could be accelerated if the issuer ratings on Atlantia or ASPI are lowered below 'BBB-';
- Capital spending of €1.3 billion; and
- Dividend payment of about €1 billion, funded by dividends received from Abertis and other subsidiaries, according to our forecasts.

As anticipated, some ASPI credit facilities, totaling about €2 billion, contain acceleration clauses triggered if the issuer credit ratings on Atlantia or ASPI is lowered below 'BBB-' or the ASPI concession is terminated. These clauses have not yet been triggered and a waiver has been extended to September 2021.

Some facilities at Atlantia Holding include financial covenants that may be triggered if the ASPI concession is revoked. We don't include any debt acceleration in our liquidity analysis because our base-case scenario does not include ASPI concession revocation.

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

## **Issue Ratings – Subordination Risk Analysis**

### **Capital structure**

As of Sept. 30, 2019, Atlantia's capital structure consists of €45.7 billion of debt, of which only €5.7 billion is issued at the Atlantia level, €9.8 billion at the ASPI level, and €26.0 billion at the Abertis level.

### **Analytical conclusions**

- The amount of debt within Atlantia's subsidiaries represents about 88% of 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 at 'BB+', 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-' and 'BBB', respectively--the same as their respective issuer credit ratings.

## Ratings Score Snapshot

Issuer credit rating: BBB-/Watch Neg/A-3

Business risk: Strong

- Country risk: Moderately high
- 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: Satisfactory (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

### CreditWatch Action

	To	From
<b>Atlantia SpA</b>		
<b>Autostrade per l'Italia SpA</b>		
Issuer Credit Rating	BBB-/Watch Neg/A-3	BBB-/Negative/A-3

### Atlantia SpA

Senior Unsecured	BB+/Watch Neg	BB+
<b>Autostrade per l'Italia SpA</b>		
Senior Unsecured	BBB-/Watch Neg	BBB-

### Ratings Affirmed

#### Aeroporti di Roma SpA

Issuer Credit Rating	BBB/Negative/A-2
Senior Unsecured	BBB

### Ratings Affirmed; Outlook Action

	To	From
<b>Abertis Infraestructuras S.A.</b>		
<b>Holding d'Infrastructures de Transport S.A.S.</b>		
Issuer Credit Rating	BBB/Negative/A-2	BBB/Stable/A-2

### Sanef

Issuer Credit Rating	BBB/Negative/--	BBB/Stable/--
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### Ratings Affirmed

#### Abertis Infraestructuras S.A.

Senior Unsecured	BBB
<b>Holding d'Infrastructures de Transport S.A.S.</b>	
Senior Unsecured	BBB

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