Atlantia

Comunicato Stampa

FITCH RIVEDE I RATING DI ATLANTIA, AUTOSTRADE PER L'ITALIA E AEROPORTI DI ROMA

Roma, 8 gennaio 2020 – L'agenzia di rating Fitch, in relazione alle modifiche unilaterali introdotte con il Decreto Milleproroghe nei contratti delle concessionarie autostradali in Italia, ha rivisto oggi il rating di Autostrade per l'Italia da "BBB+" a "BB+" e quello di Atlantia (holding) dal precedente "BBB" a "BB"; anche il rating di Aeroporti di Roma, legato a quello del gruppo Atlantia, passa da "BBB+" a "BBB-". In relazione alla persistente incertezza sul profilo di credito del Gruppo, i citati rating sono posti in Rating Watch Negative.

Tale decisione, unitamente ad analoga azione recentemente presa da un'altra agenzia di rating, potrebbe determinare, come potenziale effetto, la richiesta da parte della Banca Europea per gli Investimenti e della Cassa Depositi e Prestiti del ripagamento anticipato – sulla base dei contratti di finanziamento in essere - di prestiti erogati ad Autostrade per l'Italia per un importo di circa euro 2,1 miliardi di cui circa 1,8 miliardi garantiti da Atlantia, con conseguente assorbimento di linee di credito di Atlantia e di Autostrade per l'Italia.

Si riporta di seguito il testo integrale del comunicato di Fitch.

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FitchRatings

Fitch Downgrades Atlantia, ASPI and AdR; Ratings on RWN

Fitch Ratings - Milan - 08 January 2020:

Fitch Ratings has downgraded Atlantia SpA's EUR10 billion euro medium-term note (EMTN) programme to 'BB' from 'BBB'. Fitch has also downgraded Autostrade per l'Italia Spa's (ASPI) Long-Term Issuer Default Ratings (IDRs) to 'BB+' from 'BBB+' and Aeroporti di Roma's (AdR) IDR to 'BBB-' from 'BBB+'. The ratings remain on Rating Watch Negative (RWN). Both ASPI and AdR are infrastructure assets managed and owned by Atlantia.

A full list of rating actions is detailed below.

RATING RATIONALE

The rating action follows the Italian government's decision to unilaterally change the existing toll-road concession rules by law which, in our view, has a significant negative impact on the group's credit profile at a time when the government is considering an early termination of the ASPI concession agreement.

The probability of this significantly negative termination is on the rise as is the risk of a lengthy legal challenge by ASPI, whose timing and outcome is unpredictable at this stage. The RWN reflects significant uncertainty on future developments ranging from a renegotiation to early termination of the ASPI concession.

KEY RATING DRIVERS

On 21 December, the Italian government approved a draft law-decree that unilaterally changed some key provisions of the existing Italian toll-road concessions. The decree (i) freezes tariff increases if the government-proposed new tariff system is not accepted and included in concessionaires' business plans; (ii) changes the calculation method of the indemnity to be paid in case of early termination of the concession; (iii) establishes that in case of concession revocation, the national operator of public road network ANAS SpA will take over the concessionaire's operations until the concession is retendered; (iv) most importantly from a creditors' perspective, deletes from the concession contracts the provision that subordinates the validity of concession revocation to the payment of an indemnity.

On 22 December, ASPI sent a letter to the government stating that if the provisions of the draft law decree were confirmed, the ASPI contract would be mechanically and legally terminated early as per article 9bis of the concession. This article states that should a law introduce new clauses in the contract, the concession is to be legally terminated early (after six months of the new law being introduced) unless ASPI accepts the changes within 30 days. Under this scenario, ASPI would be entitled to receive a full compensation for the early termination of the concession agreement and would continue to operate the concession until this compensation is paid.

In response to the ASPI letter, the government has added in the final version of the law decree a provision preventing concessionaires to terminate the concession early in case of changes introduced by law. We note that the law decree is legally in force from 31 December 2019 but must be ratified and may potentially be revised by Parliament within 60 days. We also note that a party of the governing coalition has already stated its intention to propose changes to the current version of the law-decree.

The new rules, in our view, significantly alter Atlantia's group credit profile at a time when the government is considering an early termination of the ASPI concession agreement. It is likely that ASPI will challenge in court the legality of the new rules although the outcome and timing of the ruling remains highly uncertain.

In this context, a government decision to terminate the ASPI concession early would likely expose the group to a liquidity event as the recent law decree has not only changed the calculation method of the indemnity but also cancelled the contract provision that subordinates the validity of the concession termination to the payment of the indemnity. This new rule (compensation not paid at the same time of concession termination) could be disruptive in an early termination as the indemnity is the primary source for repaying bondholders and creditors who may decide to accelerate their debt repayment.

On 31 December 2019, Atlantia and ASPI had respectively EUR5.7 billion and EUR9.8 billion of gross debt, cumulated cash of EUR 1.4 billion and committed bank facilities of EUR3.25 billion (available also in case of ASPI concession revocation), compared to EUR0.6bn of debt to be repaid in 2020. There are strong linkages beetween Atlantia and ASPI as Atlantia guarantees around 55% of ASPI's debt. The group has also balance-sheet flexibility mainly stemming from potential disposal of its financial stakes in non-core assets such as Getlink (BB+/Stable), Hochtief, Bologna airport and/or minority stakes in its portfolio of assets.

In Fitch's view, the outcome of events is highly uncertain at this stage and open to a variety of scenarios. We outline below few non-exhaustive possible scenarios ranging from the renegotiation to the early termination of the ASPI concession.

Under the renegotiation scenario, parties will renegotiate the ASPI concession that in our view might include, among others, increased controlling powers by the grantor over concessionaire maintenance activities, potential reduction or re-profiling of future tariff growth and greater investments on the Italian road network. Under this scenario, Atlantia's consolidated rating would primarily be driven by a new leverage profile as well as by Fitch's qualitative assessment from a creditor standpoint of the new concession agreement. A variation of this scenario could be an agreement where ASPI releases its concession in exchange for a timely payment of adequate indemnity.

In case of concession revocation due to concessionaire fault, according to the rules set out in the new law decree, ASPI's network operations would be transferred to ANAS and the indemnity calculated as the sum of investments realised by the concessionaire net of depreciation. According to the new rules, the validity of the revocation is no longer subject to the payment of the indemnity and this would likely result in a liquidity event for the group.

A variation of the revocation scenario could be that ANAS takes over not only ASPI operations (as set out in the new law-decree) but also its liabilities or a share of liabilities equivalent to the indemnity calculated according to the new law decree. Under this scenario, we will reassess the ASPI debt transferred to ANAS as well as the rating of the debt left at Atlantia group level. The new Atlantia group would be a smaller infrastructure player with materially lower cash flow generation, a smaller and less diversified portfolio of assets with a shorter average concession life and a debt size dependent on the amount of liabilities being transferred to ANAS. Importantly, also in this scenario, the group would be exposed to liquidity pressure as a large share of ASPI debt transferred to ANAS would continue to have recourse to Atlantia in view of its guarantee on around 55% of current ASPI debt. However, under this scenario, Atlantia could tap into its balance-sheet flexibility to manage potential liquidity pressure.

Another possible scenario is for the government to declare the revocation of the ASPI concession, and for ASPI in turn to challenge the legality of the revocation decree in court and ask for constitutional ratification of the new concession rules and, at the same time, a suspension of the validity of the decree until the court case is concluded. If the court accepts ASPI's request, ASPI would continue to operate the concession until the court decides on the dispute. Conversely, if the court rejects ASPI's request, the operations would be transferred to ANAS and, if a timely payment of an adequate indemnity is not forthcoming, the Atlantia group would be exposed to a liquidity event.

IMPACT ON ADR

The rating action on AdR follows the downgrade of Atlantia, which almost fully owns AdR and governs its financial and dividend policy. Nonetheless, the 'BBB-' rating on AdR considers the limited insulation of the Rome-based airport operator from Atlantia at the current rating level, i.e. one notch above the 'BB+' consolidated rating.

There are no material ring-fencing features in ADR debt although we note that its concession agreement provides some moderate protections against material re-leveraging of the asset. Furthermore, in our view, in case of significant liquidity needs, Atlantia would prefer disposing of non-core assets or, in an extreme scenario, selling a minority stake in AdR rather than materially re-leveraging the asset and risking additional confrontation with the Italian regulator at a time when relationships are already strained.

The RWN on AdR reflects its linkages with Atlantia.

IMPACT ON ABERTIS

Fitch is maintaining Abertis' rating and Outlook unchanged at 'BBB'/Stable as we believe the governance structure of the Spanish-based toll road operator adequately insulates Abertis from Atlantia at the current rating level, i.e. two notches above the 'BB+' consolidated rating.

Fitch has evaluated the legal and operational linkages between Atlantia's consolidated profile and Abertis as "Weak" under its Parent and Subsidiary Linkage criteria where the parent (Atlantia, 'BB+' consolidated) is weaker than the subsidiary (Abertis, 'BBB').

In particular, we believe the ability for Atlantia to extract cash from its stronger subsidiary is impaired by the presence of a large minority shareholder (ACS) whose consent is required for M&A activities and any change in the dividend policy, which also has to remain compliant with a minimum investment-grade rating of Abertis. We also note that the 50% ownership in Abertis materially reduces the amount of cash Atlantia may upstream from the asset since the remaining half would be distributed to minority shareholders. We may reassess our approach should Atlantia opt and manage to re-leverage Abertis and extract higher-than-expected cash in the future.

Fitch has not undertaken a full review on Atlantia, ASPI and AdR.

RATING SENSITIVITIES

Atlantia/ASPI

Developments That May, Individually or Collectively, Lead to Positive Rating Action:

-A full restoring of the existing ASPI concession rules

Developments That May, Individually or Collectively, Lead to Negative Rating Action:

-Early termination of the ASPI concession could lead to a multiple-notch downgrade, especially if there are doubts on the size and timely payment of compensation.

- In case of concession renegotiation, Atlantia's consolidated rating will be driven by the expected new group's leverage profile and the quality from a creditor standpoint of the new concession rules.

AdR

Developments That May, Individually or Collectively, Lead to Positive Rating Action:

- A positive rating action on Atlantia

Developments That May, Individually or Collectively, Lead to Negative Rating Action:

- A negative rating action on Atlantia

ESG Considerations

Unless otherwise disclosed in this section, the highest level of Environmental, Social and Governance (ESG) credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entities, either due to their nature or to the way in which they are being managed by the entities.

Atlantia has an ESG relevance score of '4' for Management Strategy, as the collapse of the Genoa Bridge in August 2018 has heightened financial and regulatory risks, and are relevant to Atlantia's rating in conjunction with other factors.

For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

RATING ACTIONS

ENTITY/DEBT	RATING		PRIOR
Autostrade per l'Italia SpA	LT IDR BB+ Downgrade		BBB+
	ST IDR B Downgrade		F2
Autostrade per l'Italia SpA/Debt/1 LT	LT BB+ Downgrade		BBB+
Atlantia S.p.A.			
Atlantia S.p.A./Debt/1 LT	LT BB+ Downgrade		BBB+
Atlantia S.p.A./Debt/2 LT	LT BB Downgrade		BBB
Aeroporti di Roma S.p.A	LT IDR BBB- Downgrade		BBB+
	ST IDR F3 Downgrade		F2
/Debt/1 LT	LT BBB- Downgrade		BBB+

Additional information is available on www.fitchratings.com

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Applicable Criteria

Airports Rating Criteria (pub. 23 Feb 2018)
Rating Criteria for Infrastructure and Project Finance (pub. 27 Jul 2018)
Toll Roads, Bridges and Tunnels Rating Criteria (pub. 30 Jul 2018)
Short-Term Ratings Criteria (pub. 02 May 2019)
Parent and Subsidiary Rating Linkage (pub. 27 Sep 2019)

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