



Press Release

## ATLANTIA: FITCH AFFIRMS ATLANTIA'S AND ADR'S RATINGS AND REVISES OUTLOOK TO NEGATIVE. ABERTIS RATING AND OUTLOOK UNCHANGED

**Rome, 26 April 2022.** The credit rating agency Fitch has affirmed the BB rating of Atlantia and revised its outlook to negative. At the same time, Fitch has also affirmed the BBB- rating of Aeroporti di Roma (ADR) revising its outlook to negative. Abertis BBB rating with Negative outlook is unchanged

Attached the full report of the rating agency.

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## RATING ACTION COMMENTARY

# Fitch Affirms Atlantia, Abertis, AdR Ratings; Outlooks Negative

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Fitch Ratings - Milan - 26 Apr 2022: Fitch Ratings has affirmed Atlantia SpA's EUR10 billion euro medium-term note (EMTN) programme's senior unsecured rating of 'BB' and Aeroporti di Roma SpA's (AdR) Long-Term Issuer Default Rating (IDR) of 'BBB-' and removed the ratings from Rating Watch Positive (RWP). Fitch has also affirmed Abertis Infraestructuras S.A.'s (Abertis) 'BBB' Long-Term IDR. All Outlooks are Negative.

A full list of rating actions is at the end of this commentary.

## RATING RATIONALE

### Atlantia

The rating action follows the recently-announced intention of Atlantia's controlling shareholder to launch a voluntary tender offer of the company's shares (VTO), and to use the cash proceeds from the imminent disposal of its main Italian toll road business to repay the acquisition debt.

The rating is affirmed at 'BB' as, under a scenario of full acceptance of the VTO, Fitch sees the group's metrics as consistent with a 'BB+' conso/'BB' Holding company ratings.

The Negative Outlook considers the lack of visibility on how the group will fund the planned growth once the cash from the Autostrade per l'Italia SpA (ASPI) disposal is used for the VTO.

The Negative Outlook also considers the uncertainties about Abertis's governance given the evolution of the relationship between Atlantia shareholders and Actividades de Construcción y Servicios, S.A. (ACS) group. In this respect, the VTO is a response to a possible takeover of Atlantia from ACS.

## Abertis

Abertis's 'BBB' rating reflects the geographically diversified portfolio of core and mature assets and the relatively high leverage profile in the context of a weighted average life of its portfolio of around 12 years.

The rating - which reflects the standalone credit profile of the Spanish-based toll road group - remains commensurate with the maximum two-notch distance from the Atlantia group credit profile. This is premised on the open ring-fencing features of Abertis debt documentation and insulated access and control of Abertis shareholder's agreement. Fitch is following the Stronger Subsidiary path under the Parent and Subsidiary Linkage Rating Criteria.

The Outlook on Abertis is Negative as current and expected group leverage is high and above 6x until 2023 in the Fitch Rating Case (FRC). Traffic is recovering (the 2021 actual level was 5% below the 2019 level, the 1Q22 level was 2% above 1Q19), but the slowdown in GDP growth compared to last year's expectations is creating uncertainties about medium-term traffic evolution. There is also low visibility on the dividend policy from 2023. As discussed above on Atlantia, the VTO could also add uncertainties to the governance of the group.

## AdR

The 'BBB-' rating on AdR considers its strong linkages with Atlantia and the latter's consolidated credit profile of 'BB+' given the porous ring-fencing features of AdR concession agreement and open access and control. Atlantia has substantially full ownership and operational control of AdR and governs its financial and dividends policy. Nonetheless, the 'BBB-' rating on AdR considers also the limited insulation of the Rome-based airport from Atlantia, resulting in the IDR being one notch above Atlantia's 'BB+' consolidated rating.

AdR's debt has no material ring-fencing features although the airport concession agreement provides some moderate protection against material re-leveraging of the asset. The Negative Outlook on the entity reflects the corresponding outlook on Atlantia Group.

## ASPI

We have not taken action on ASPI's 'BB+' /RWP IDR. ASPI still remains part of Atlantia group but we view its credit quality is still commensurate with a 'BB+' /RWP rating as all the conditions precedent to its sale to a CDP-led consortium of investors have been complied with and the disposal is scheduled for 5 May 2022.

### KEY RATING DRIVERS

#### VTO on Atlantia Shares

On 14 April a newly created SPV (BidCo) launched a EUR12.7 billion tender offer aimed at acquiring all of the outstanding ordinary shares of Atlantia, other than the shares already held by Sintonia SpA (Sintonia) in Atlantia. BidCo is backed by Sintonia and funds managed by Blackstone (BIP) via an intermediate holding company (HoldCo).

The offer aims to delist Atlantia shares from Milan stock exchange and, we believe, ultimately proceed with a merger or reverse merger so that ATL/BidCo/HoldCo will be become the only entity, and Sintonia and BIP will hold direct stakes in the entity resulting from the merger or reverse merger.

The success of BidCo's VTO is conditional on certain conditions including achieving a number of shares tendered to the offer exceeding 90% of Atlantia's share capital (threshold condition). However, BidCo has stated that it could waive the threshold condition and proceed in any case with the delisting by a merger of Atlantia into BidCo.

The VTO is the latest development over the ownership of Atlantia. In March 2022, ACS had approached Sintonia on a possible deal with international financial investors, ultimately aiming to break up the Italian infrastructure group. On 7 April Sintonia declined the offer in light of its strategic orientation, aiming to preserve the integrity of the Atlantia group and give further impetus to its activities. While still possible, we believe Sintonia's existing 33% stake in Atlantia reduces the chances of a rival offer (including the one from ACS).

#### VTO Funding and Implications for Atlantia Creditors

BidCo will meet the financial commitment to honour the VTO by a mix of equity/shareholder loans by BIP and debt injected at HoldCo level from a pool of financing banks which have already provided a commitment letter for up to EUR8.2 billion. The debt will be largely taken out via extraordinary distributions from Atlantia or merger involving BidCo/HoldCo and Atlantia, which will soon be cash rich after the imminent disposal of ASPI's stake.

According to our preliminary calculations, and assuming 100% acceptance, group leverage post- transaction will peak in 2022 above 8x under the FRC. Organic growth will sustain a progressive deleverage in 2023-2024, but net debt/EBITDA will remain sustainably above 7x under the FRC.

We view the transaction as being credit negative as it ultimately results in a swap of ASPI's resilient and sizeable cash flow generation with a return of capital to shareholders only. That leaves Atlantia's existing creditors with a reduced pool of assets and cash flow to rely on to service debt. There is also low visibility as to how shareholders will want to address Atlantia's investment and financial policies.

### Shareholder Agreement

BidCo is ultimately owned by Sintonia/BIP which entered into a shareholder agreement to govern Atlantia. In essence, Sintonia will control Atlantia, although this is limited to ordinary matters and as long as changes to the to-be-agreed five-year business plan are within a certain threshold.

Sintonia will appoint Atlantia's chairman, vice-chairman and CEO and will have control on Atlantia's board. However, BIP's approval will also be required for several matters, including changes in the financial and investment policy, M&As, financing agreements, regulatory interactions, ESG policies and related party transactions.

Sintonia and BIP have agreed an investment policy to guide Atlantia's growth strategy. The focus is both on acquiring new projects and companies and on preserving the existing group asset base through concession extension. Initiatives could be funded with a mix of internally generated cash, additional debt and new equity injections from shareholders, depending on the value of the transaction. However, there is no visibility on how this policy will affect the group credit profile.

The parties have also defined a financial policy for Atlantia. The aim is to achieve, as soon as possible, investment grade metrics for Atlantia and group subsidiaries, although the agreement does not provide visibility as to how shareholder will achieve the target. The agreement lacks detailed references to a dividend policy for Atlantia Holding company and its subsidiaries.

### Rating Approach

We assess Atlantia based on its consolidated credit profile. This approach considers Atlantia's majority stakes in other subsidiaries, operational control, as well as limited restrictions on subsidiaries' debt. The consolidated approach also considers Atlantia's

access to the cash flow generation of most subsidiaries through control of their dividend and financial policies and therefore has the ability to re-leverage these assets if needed.

While we analyse the consolidated credit profile, we also maintain a focus on Atlantia Holding to reflect the higher probability of default of Atlantia's debt in relation to that of its consolidated credit profile. Based on the existing debt set-up at Atlantia Holding (EUR2.75 billion in gross debt) and the expected dividend stream from subsidiaries, we rate Atlantia debt one notch below the consolidated credit profile. We believe that robust interest coverage, fairly good financial flexibility, and appropriate Atlantia Holding liquidity, mitigate a high leverage at Atlantia Holding and the restrictions embedded in Abertis's governance.

For an overview of Atlantia's credit profile, including key rating drivers, see the rating action commentary 'Fitch Revises Atlantia's Rating Watch to Positive', published on 4 June 2021 on [www.fitchratings.com](http://www.fitchratings.com).

For an overview of Abertis's credit profile, including key rating drivers, see the rating action commentary 'Fitch Affirms Abertis at 'BBB'; Hybrid Bonds at 'BB+'; Outlooks Negative' published on 9 November 2021 on [www.fitchratings.com](http://www.fitchratings.com).

For an overview of AdR's credit profile, including key rating drivers, see the rating action commentary 'Fitch Revises Aeroporti di Roma's Rating Watch to Positive' published on 4 June 2021 on [www.fitchratings.com](http://www.fitchratings.com).

## **RATING SENSITIVITIES**

### **Factors that could, individually or collectively, lead to negative rating action/downgrade:**

#### **Atlantia**

A failure to deleverage to below 7x by 2024 under the FRC. Fitch may re-assess this ratio trigger and associated debt capacity if the businesses risk profile or average concession tenor adversely change.

A sustained move towards large-scale, debt-funded acquisitions.

A material increase in Atlantia Holding debt from our current expectation, a deterioration in Atlantia Holding liquidity below the next 12 months, or a reduction in group balance sheet flexibility, could add pressure to Atlantia Holding debt and lead to a widening of the notching from the group credit profile.

#### **Abertis**

A failure to improve Fitch-adjusted leverage to below 6.0x by 2024 under the FRC.

## AdR

A negative rating action on Atlantia group, provided the strength of the linkages with the parent remains unchanged.

### **Factors that could, individually or collectively, lead to positive rating action/upgrade:**

#### Atlantia

Greater visibility on the group's future growth plans, capital structure, financial policy as well as governance at Abertis, coupled with a clearer path to traffic recovery could lead to a revision of the Outlook to Stable.

#### Abertis

A clearer view on medium-term traffic evolution, governance and dividend policy, combined with an evolution of consolidated net debt-to-EBITDA at least in line with the FRC and consistently below 6.0x by 2024, could lead to the Outlook being revised to Stable.

## AdR

Positive rating action on Atlantia group, provided the strength of the linkages with the parent remains unchanged.

### **BEST/WORST CASE RATING SCENARIO**

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

### **Criteria Variation**

The analysis includes a variation from the "Rating Criteria for Infrastructure and Project Finance" to determine the notching of Abertis's hybrid instruments relative to Abertis's IDR, and the application of Equity Credit (EC).

Fitch allocates hybrids to the following categories: 100% equity, 50% equity and 50% debt, or 100% debt. The decision to use only three categories reflects Fitch's view that the allocation of hybrids into debt and equity components is a rough and qualitative approximation, and is not intended to give the impression of precision.

The focus on viability means Fitch will typically allocate EC to instruments that are subordinated to senior debt and have an unconstrained ability for at least five years of consecutive coupon deferral. To benefit from EC, the terms of the instrument should not include mandatory payments, covenant defaults, or events of default that could trigger a general corporate default or liquidity need. Structural features that constrain a company's ability to activate equity-like features of a hybrid make an instrument more debt-like.

Hybrid ratings are notched down from the IDR. The notches represent incremental risk relative to the IDR, these notches are a function heightened risk of non-performance relative to other (eg. senior) obligations. Hybrids that qualify for equity credit are (deeply) subordinated and typically rated at least two notches below the IDR.

## REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

## ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](https://www.fitchratings.com/esg).

## RATING ACTIONS

ENTITY / DEBT ◆

RATING ◆

PRIOR ◆



Abertis Infraestructuras, S.A.	LT IDR	BBB Rating Outlook Negative		BBB Rating Outlook Negative
	Affirmed			
	ST IDR	F3	Affirmed	F3
Abertis Infraestructuras, S.A./Debt/1 LT	LT	BBB Rating Outlook Negative		BBB Rating Outlook Negative
	Affirmed			
Atlantia S.p.A.				
Atlantia S.p.A./Debt/2 LT	LT	BB Rating Outlook Negative		BB Rating Watch Positive
	Affirmed			
Abertis Infraestructuras Finance B.V.				
Abertis Infraestructuras Finance B.V./Debt/1 LT	LT	BBB Rating Outlook Negative		BBB Rating Outlook Negative
	Affirmed			
Abertis Infraestructuras Finance B.V./Debt/2 LT	LT	BB+ Rating Outlook Negative		BB+ Rating Outlook Negative
	Affirmed			
Aeroporti di Roma S.p.A	LT IDR	BBB- Rating Outlook Negative		BBB- Rating Watch Positive
	Affirmed			
	ST IDR	F3	Affirmed	F3 Rating Watch Positive

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**APPLICABLE CRITERIA**

[Toll Roads, Bridges and Tunnels Rating Criteria \(pub. 26 Jun 2020\) \(including rating assumption sensitivity\)](#)

[Airports Rating Criteria \(pub. 22 Oct 2020\) \(including rating assumption sensitivity\)](#)

[Corporate Hybrids Treatment and Notching Criteria \(pub. 12 Nov 2020\)](#)

[Infrastructure and Project Finance Rating Criteria \(pub. 23 Aug 2021\) \(including rating assumption sensitivity\)](#)

[Parent and Subsidiary Linkage Rating Criteria \(pub. 01 Dec 2021\)](#)

**APPLICABLE MODELS**

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

GIG InForM Model, v1.1.0 ([1](#))

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Abertis Infraestructuras, S.A.	EU Issued, UK Endorsed
Aeroporti di Roma S.p.A	EU Issued, UK Endorsed
Atlantia S.p.A.	EU Issued, UK Endorsed

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