



Press Release

## **MOODY'S DOWNGRADES AUTOSTRADE PER L'ITALIA'S RATING**

Rome, 3 December 2019 – The rating agency, Moody's, has today completed its review for downgrade initiated on 4 July of this year, lowering Autostrade per l'Italia's rating to 'Baa3' from the previous 'Baa2'.

As a result of the persistent uncertainties weighing on the Company's credit profile, Moody's has maintained its negative outlook. The full text of the rating agency's announcement is provided below.

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**Rating Action: Moody's downgrades Atlantia's rating to Ba1 and Autostrade per l'Italia's rating to Baa3; negative outlook**

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03 Dec 2019

**Aeroporti di Roma's Baa2 rating confirmed with negative outlook**

London, 03 December 2019 -- Moody's Investors Service (Moody's) has today downgraded to Ba1 from Baa3 the senior unsecured rating and to (P)Ba1 from (P)Baa3 the senior unsecured euro medium-term note (EMTN) programme rating of Atlantia S.p.A. (Atlantia), holding company for the group's motorway and airport infrastructure businesses. Concurrently, Moody's downgraded to Baa3 from Baa2 the issuer and senior unsecured ratings, and to (P)Baa3 from (P)Baa2 the senior unsecured EMTN programme rating of toll road operator Autostrade per l'Italia S.p.A. (ASPI). Moody's also confirmed the Baa2 senior unsecured and underlying senior secured ratings and the (P)Baa2 senior unsecured EMTN programme rating of airport operator Aeroporti di Roma S.p.A. (ADR). The outlook on all ratings is negative. This rating action concludes the review initiated on 4 July 2019.

**RATINGS RATIONALE**

The downgrade of Atlantia's and ASPI's ratings reflects Moody's view that downside risks are growing. The action follows last week's temporary closure of bridges managed by ASPI, over safety concerns, and reflects that (1) increased scrutiny of ASPI's motorway assets could result in potentially significant additional costs; (2) shortfalls in ASPI's control functions would, if proven, undermine the operator's credibility and weaken its position in discussions with the grantor over the future of its concession -- where no progress has been evident; and (3) any potential renegotiation of the ASPI concession would likely result in less favourable terms for the operator. The confirmation of ADR's rating reflects Moody's view that there is some delinkage from the wider group's credit quality deriving from its debt structure and terms, as well as protections included in ADR's concession contract.

The negative outlook on the ratings reflects the persistent uncertainties weighing on the Atlantia group's credit profile following the collapse of the Polcevera viaduct, which could trigger the renegotiation of the ASPI concession or, under an extreme scenario, the commencement of a termination procedure, exposing the group to the risk of lengthy litigation procedures and sizeable fines.

While the cause(s) of the Genoa incident remain unknown, some government officials continue to indicate that the ASPI concession could be terminated if the company did not meet its obligations and recent statements suggest that a decision on the future of the ASPI concession may be taken soon. Moody's also notes that tensions between the government and Atlantia have recently escalated as a consequence of the latter's unavailability to present a binding offer for the rescue of troubled airline Alitalia at this stage.

ASPI's concession contract provides for a specific process for an early termination procedure and recognises the concessionaire's right to compensation. However, a legal report published in July 2019 and commissioned by the MIT, highlighted diverging positions in respect of concession termination and compensation rights, which increases the risk that the grantor may challenge the process and terms detailed in the concession agreement, should a concession termination procedure be initiated.

Moody's cautions that any formal assessment and notification of non-compliance with its concession obligations and/or the commencement of a termination procedure would be a significant credit negative for ASPI and, in turn, Atlantia, given ASPI's significance in the context of the wider group's credit profile and the linkages between the two entities.

More generally, the group remains exposed to the consequences of a more confrontational stance from the concession grantor, protracted litigation and sizeable external claims and legal costs. Also, in light of ASPI's relatively weak negotiating position, Moody's considers that the company may also be required and/or may decide that it is in its commercial interest to make further payments beyond the contractual liabilities under the terms of the concession agreement and will remain subject to pressure to contribute to the costs linked to the consequences of the incident, while operational and maintenance costs related to the management of ASPI's motorway network will likely increase as a result of regulatory pressures. The full extent of the potential

financial impact of the incident remains therefore unclear at this stage.

ASPI's concession includes a specific procedure for early termination in the event of material and continued non-performance. In addition, a new Decree approved in June 2019 introduced a preventive approval, by the Italian Court of Auditors, in respect of legislative acts issued with the purpose of terminating motorway concessions. The ASPI concession includes details on the calculation of the compensation due to the company in case of early termination but there is no precedent in the Italian framework of circumstances resulting in the payment of a termination payment. It is likely that the amount of compensation for ASPI would have to be negotiated or could be challenged, which could potentially lead to protracted discussions, initiation of a court case and delays in the payment. This is a significant risk because the compensation linked to a termination would be the source to meet potential bondholders' claims resulting from the voluntary put option granted under ASPI's bond documentation in the event of a concession termination. According to the provisions of the concession, ASPI would continue to manage the motorway assets until payment of the compensation is received. However, Moody's notes that the ASPI bond documentation lacks an explicit reference to the receipt of a compensation payment for the concession termination to be effective, which could result in uncertainties in respect of the definition of timing of such concession termination.

In light of the protracted uncertainties, Moody's will also continue to monitor the liquidity and financial flexibility exhibited by the Atlantia group, the continued ability to access new funding, as well as measures aimed at preserving cash to mitigate the financial impact of the bridge collapse.

Notwithstanding the persistent downside risks linked to the collapse of the Polcevera viaduct, the Baa3 consolidated credit profile of the Atlantia group continues to positively reflect (1) its large size and the focus on the toll road and airport sectors; (2) the strong fundamentals of the group's toll road network, which, following the acquisition of Abertis is increasingly diversified and comprises essential motorway links mostly located in Spain, France, Chile, Brazil and Italy; (3) the reasonably established regulatory framework for its toll road operations, albeit characterised by increasing political pressures; and (4) a track record of relatively prudent financial policies. These factors are balanced by (1) the group's fairly complex structure following the Abertis Infraestructuras S.A. (Abertis) acquisition; (2) the material increase in consolidated debt leverage post-transaction and the limited financial flexibility of the group at current rating levels; (3) the shorter average concession life of the combined Atlantia-Abertis group compared with the Atlantia profile pre-transaction. Atlantia's Ba1 rating is positioned one notch below the group's consolidated credit profile, reflecting the structural subordination of the creditors at the holding company. ASPI's rating remains in line with the consolidated credit profile of the Atlantia group, while ADR's Baa2 rating reflects the stronger stand-alone credit profile of the entity and some delinkage from the wider group's credit quality.

#### RATIONALE FOR THE NEGATIVE OUTLOOK

The outlook on Atlantia's, ASPI's and ADR's ratings is negative, reflecting the persistent uncertainties and the risks associated with the potential consequences of the collapse of the Polcevera viaduct on the group's credit profile.

#### WHAT COULD CHANGE THE RATING UP/DOWN

In light of the current negative outlook, upward rating pressure on Atlantia's, ASPI's and ADR's ratings is highly unlikely in the near future. The outlook could be returned to stable if there was clarity in respect of the consequences of the collapse of the Polcevera viaduct on the group's credit quality, which would not result in a detrimental impact on its business and financial profile.

Downward pressure on Atlantia's and ASPI's ratings would materialise if the collapse of the Polcevera viaduct appeared likely to result in significant increased costs, loss of revenues, or a renegotiation of concession terms leading to a financial profile no longer consistent with ratios guidance (i.e. consolidated ratio of Funds From Operations (FFO)/Debt weakening to significantly and permanently below 12%). This ratio guidance may be increased if political risks continue to crystallise, or if the incident appears likely to result in a further detrimental impact on the regulatory framework applicable to Atlantia's Italian motorway operations. Moody's cautions that Atlantia's financial flexibility at current rating levels is limited.

Downward pressures would also result from evidence of significant widespread governance issues insofar as increasing the risk of a concession termination or the imposition of adverse measures impacting the group's risk profile.

Significant downward pressure would materialise as a consequence of the start of a termination of ASPI's concession or materially detrimental government actions linked to a termination scenario, with the magnitude of

any downgrade also depending on the potential size and timing of any compensation. In addition, downward pressure on Atlantia's and ASPI's ratings could also materialise as a consequence of (1) persistent uncertainties and lack of progress in respect of discussions linked to the future of the ASPI concession; (2) a material change in the terms and conditions of key concessions or political interference; (3) a deterioration in the liquidity profile of the group; or (4) further negative pressure on the government of Italy's sovereign rating (Baa3 stable). In the context of Atlantia's acquisition of Abertis, Moody's had also previously indicated that downward pressure on Atlantia's rating would stem from a substantial change in the business risk profile of the combined group as a result of significant involvement in higher risk and/or greenfield projects.

With regard to ADR, notwithstanding some delinkage from the wider group's credit quality deriving from ADR's debt structure and terms and the protections included in its concession contract, further negative pressures on Atlantia's credit profile would put downward pressure on the company's rating. More generally, negative pressure on ADR's rating would also result from (1) a weakening of the company's financial profile, with FFO/Debt below the high teens in percentage terms; (2) evidence of political interference, inconsistent implementation of the tariff-setting framework or material changes in the terms and conditions of ADR's concession; or (3) further negative pressure on the Italian sovereign rating.

## PRINCIPAL METHODOLOGIES

The methodology used in rating Atlantia S.p.A. and Autostrade per l'Italia S.p.A. was Privately Managed Toll Roads published in October 2017. The methodology used in rating Aeroporti di Roma S.p.A. was Privately Managed Airports and Related Issuers published in September 2017. Please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of these methodologies.

Atlantia S.p.A. is the holding company for a group active in the infrastructure sector. Its main subsidiaries include Autostrade per l'Italia S.p.A., Abertis Infraestructuras S.A., Aeroporti di Roma S.p.A. and Azzurra Aeroporti S.r.l. (holding company for Aéroports de la Côte d'Azur, the latter rated Baa2 negative). The group's total EBITDA amounted to approximately EUR5.7 billion in the first nine months of 2019.

Autostrade per l'Italia S.p.A. is the country's largest operator of tolled motorways, which together with its subsidiaries, manages a network of 3,020 km of motorways under long-term concession agreements granted by the Italian government. The company generated EBITDA of EUR1.9 billion in the first nine months of 2019.

Aeroporti di Roma S.p.A. is the concessionaire for the Rome airport system, which reported total passenger volumes of 49 million in 2018. ADR reported EBITDA of approximately EUR460 million in the first nine months of 2019.

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