



Press Release

## **MOODY'S CHANGES TO DEVELOPING THE OUTLOOK ON ATLANTIA AND AUTOSTRADA PER L'ITALIA RATINGS**

Rome, 23 July 2020 – The rating agency Moody's, in relation to the recent developments communicated on 15 July after the Cabinet of Minister, affirmed the Ba2 rating of Atlantia group and Ba3 of Atlantia (holding) and Autostrade per l'Italia and changed the outlooks to developing from negative.

Attached the full report of the rating agency.

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**Rating Action: Moody's changes Atlantia's and Autostrade per l'Italia's outlooks to developing**

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23 Jul 2020

Madrid, July 23, 2020 -- Moody's Investors Service, ("Moody's") has today affirmed the Ba2 long term corporate family rating, the Ba3 senior unsecured rating and the (P)Ba3 rating of the senior unsecured euro medium-term note (EMTN) programme of Atlantia S.p.A. (Atlantia). Moody's also affirmed the Ba3 senior unsecured ratings and the (P)Ba3 senior unsecured EMTN programme rating of toll road operator Autostrade per l'Italia S.p.A. (ASPI). Concurrently Moody's has changed the outlook on both entities to developing from negative.

**RATINGS RATIONALE**

The change in outlook to developing from negative is driven by the preliminary agreement between ASPI, Atlantia and the Italian government to settle the ongoing dispute over alleged negligence by ASPI in management of its toll road network after the collapse of the Polcevera viaduct in Genoa on 14 August 2018 [1]. Whilst this is the first sign - after almost two years of negotiations between ASPI, Atlantia and the government - of a compromise, there are still specific points that will need to be agreed and finalised before the government formally withdraws its proposal to revoke ASPI's concession. The rating action recognises the uncertainty regarding the final terms, timing and execution of the agreement.

The developing outlook balances the potential for an improvement in ASPI's and Atlantia's credit worthiness if the final agreement is in line with the proposed terms as set out in the 15 July 2020 press release by the Italian Council of Ministers and the government formally withdraws its proposal to revoke ASPI's concession, with the risks that a failure to complete the transaction could lead to protracted discussions and revocation of ASPI's concession.

In addition, the developing outlook for ASPI recognises that there are some uncertainties related to (1) future tariff evolution following the application of the new tariff framework; (2) the final terms and conditions of the amended concession contract that will need to be signed between ASPI and the government; and (3) the new capital structure of ASPI, its financial policy and targeted financial leverage going forward.

Moreover, the developing outlook for Atlantia reflects uncertainties related to (1) the total amount that Atlantia will receive from a divestiture of ASPI; (2) the use of the proceeds from the transaction; and (3) the capital structure of Atlantia and, more broadly, the strategy of the group going forward.

Notwithstanding the above, the rating of ASPI continues to positively reflect (1) the essentiality of its toll road network, comprising more than 50% of the country motorway system; (2) the resilient cash flow profile demonstrated in the past; and (3) the long term concession contract expiring in 2038. However, ASPI's fundamentals are susceptible to downside risks linked to the consequences of the coronavirus pandemic. Moody's assumes that after the severe cuts in traffic volumes resulted from lockdown measures imposed by the government, traffic will continue to gradually recover throughout the year. Whilst this will result in weak credit metrics for ASPI in 2020, Moody's expects that the company will be able to recover its financial profile over the next 12 to 18 months. ASPI's rating also takes into consideration its sizeable investment programme and increasing maintenance requirements that will limit the ability of the company to deleverage over the medium term.

Likewise, the Ba2 LT corporate family rating of the Atlantia group continues to be supported by (1) Atlantia's large size and focus on the toll road and airport sectors; (2) the strong fundamentals of the group's toll road network, with a high degree of diversification driven by the large network operated by Abertis Infraestructuras S.A. (Abertis), which comprises essential motorway links mostly located in Spain, France, Italy, Chile, Brazil and Mexico; (3) the reasonably established regulatory framework for its toll road operations, albeit characterised by high political pressures in Italy; (4) a track record of relatively prudent financial policies; and (5) the additional financial flexibility provided by Atlantia's other subsidiaries and equity investments. These factors are balanced by (1) the group's fairly complex structure following the Abertis acquisition, with minority shareholders and debt at intermediate holding companies; (2) the relatively shorter average concession life of

the Abertis group; and (3) the material increase in consolidated debt leverage post acquisition of Abertis.

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

Upward pressure on ASPI's ratings could build once there is more clarity on the final terms and financial implications of any formal agreement, as well as a high likelihood that the transaction will be completed such that the government will withdraw its proposal to revoke ASPI's concession. The magnitude of a potential upgrade would depend on the final terms of the agreement and its implications on the business risk and financial profile of the group.

In addition, upward pressure on Atlantia's ratings could build once there is more visibility in relation to the terms of the divestiture transaction of ASPI and the implications that it will have on Atlantia's capital structure and the future business strategy of the group.

Downward pressure on Atlantia's and ASPI's ratings would materialise in case (1) a formal agreement with the government is not achieved; and (2) the government starts the revocation process for ASPI's concession or takes any additional detrimental action. Additional downward pressure could result from a material deterioration in the liquidity profile of the Atlantia group.

#### PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Privately Managed Toll Roads published in October 2017 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1096736](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1096736). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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.p.A. (holding company for Aéroports de la Côte d'Azur, the latter rated Baa2 negative).

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.

#### 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 at: [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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#### REFERENCES/CITATIONS

[1] Council of Ministers, Italian government, Press Release n.54 - <http://www.governo.it/it/articolo/comunicato-stampa-del-consiglio-dei-ministri-n-56/14932>

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