



Fitch Affirms ASTM at 'BBB+'; Outlook Negative

Fitch Ratings - Madrid - 26 March 2020:

Fitch Ratings has affirmed ASTM Long-Term Issuer Default Rating (IDR) at 'BBB+' with Negative Outlook. The latter reflects a similar Outlook on the Italian sovereign ratings and reduced headroom in credit metrics.

A full list of rating actions is detailed below.

RATING RATIONALE

The rating actions reflect marginal deterioration in financial metrics following expected material traffic shock across ASTM's network in the aftermath of a lockdown in Italy, which is restricting people's movement and is taking a toll on the group's expected cash flow generation.

We now expect leverage to remain above 3.8x in 2022-2023 and only returning within the 'BBB+' rating guidelines in 2024. Developments are rapidly evolving, leaving low visibility at present on the final impact on traffic and cash flow generation. We will re-assess the credit when traffic patterns become clearer.

ASTM's liquidity position is strong given the group's estimated EUR2 billion of available cash and a committed revolving credit facility (RCF), which are sufficient to cover debt maturities beyond 24 months under the updated Fitch rating case.

KEY RATING DRIVERS

Coronavirus Pandemic Affecting Demand

The rapid spread of the coronavirus is leading to an unprecedented impact on traveller mobility and hence traffic growth. In the first two weeks of March, ASTM's traffic growth contracted by around 40%. Under our revised rating case, we assume traffic to fall by 30% in 1H20, before gradually recovering to yield an annual decline of 21% for 2020, which compares with a 12% volume peak-to-trough during the global financial crisis (2009-2013 period). We assume traffic will progressively normalise, with 2021 traffic remaining around 3% below 2019 levels and fully recovering only in 2022. From then onwards, traffic is expected to follow a similar path to Italian GDP growth of 0.5% p.a.

Defensive Measures

ASTM has some flexibility to offset the impact of the expected significant revenue shortfall. In our revised Fitch rating case (FRC), we assume partial cutback on operating expenses in 2020 (assuming 20% of the costs are variable and move in tandem 1:1 with traffic reduction) as well as a re-profiling of planned capex until 2024.

We are not yet assuming a cut to dividend, which could further absorb part of ASTM's reduced cash flow.

ASTM's concession agreements allow the concessionaires to recover traffic shortfall in the next regulatory business plan. Nonetheless, we have low visibility on the timing for the recovery to take place. We also

caution that the Italian toll roads operator is currently under pressures from the Italian government's recent unilateral intervention to standardise some of the terms of the concession agreements, notably on tariff increases and concession revocation.

Reducing Coverage

Under the updated FRC, after the 2020 shock ASTM's leverage should remain within our leverage guidance during 2021-2022, before increasing to around 4.2x in 2022-2023 when some of the company's concessions expire, and returning to 3.8x in 2024.

Sound Liquidity under FRC

ASTM had EUR1.5 billion of cash available as of December 2019 and committed credit facilities for EUR0.5 billion. Our FRC estimates that it will cover debt maturities until end-2022.

RATING SENSITIVITIES

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

- Fitch may revise the Outlook to Stable if Fitch-adjusted leverage is sustained below 3.8x provided that there is a clearer view on medium-term traffic evolution and the Outlook on the sovereign is also revised to Stable.

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

- We may downgrade the rating if we expect Fitch-adjusted leverage to be sustained above 3.8x over the next three to five years. The agency may re-assess this ratio trigger and associated debt capacity, should the average remaining concession life further decrease or, equally, should the mix of concession and construction businesses change adversely;
- A sustained move toward debt-funded acquisitions of higher-risk assets;
- A material adverse change in creditor-protective Italian regulatory framework or in the terms and conditions of ASTM key concessions; and
- Negative rating action on the sovereign (BBB/Negative);

TRANSACTION SUMMARY

ASTM is the second-largest Italian toll road operator managing around 20% of the national network. It operates a portfolio of nine majority/fully-owned and fully consolidated concessions and has minority equity interests in five toll road concessions/JVs accounted under the equity method. Operations are predominantly focused on Italy. ASTM is ultimately owned by the Italian Gavio family (controlling stake) and since September 2018, by Ardian Infrastrutture (minority stake).

The group has marginal (around 5% EBITDA) exposure to the construction and engineering businesses, which are cyclical and volatile in nature. We factor the higher risk from such businesses into a tighter leverage guidance as opposed to that of a pure toll road operator.

- Volume: Midrange
- Price: Midrange

- Infra & Development: Stronger







- Debt Structure: Midrange

As indicated above, the recent outbreak of the coronavirus and related government containment measures worldwide create an uncertain global environment for toll roads in the near term. While ASTM's most recently available data may not have indicated impairment, material changes in revenue and cost profile are occurring across toll roads in Italy and likely to worsen in the coming weeks and months as economic activity suffers and government restrictions are maintained or broadened. Fitch's ratings are forward-looking in nature, and the agency will monitor developments in the sector as a result of the pandemic for its severity and duration, and incorporate revised base- and rating-case qualitative and quantitative inputs based on expectations for future performance and assessment of key risks.

Related Commentary:

Fitch Ratings: Completion of SIAS/ASTM Merger is Rating Neutral; Regulatory Pressures Increase (January 2020)

RATING ACTIONS

ENTITY/DEBT	RATING	PRIOR
ASTM S.p.A.	LT IDR BBB+  Affirmed	BBB+ 
ASTM S.p.A./Debt/1 LT	LT BBB+  Affirmed	BBB+ 
ASTM S.p.A./Debt/2 LT	LT BBB+  Affirmed	BBB+ 

Additional information is available on www.fitchratings.com

Applicable Criteria

Infrastructure and Project Finance Rating Criteria (pub. 24 Mar 2020)

Toll Roads, Bridges and Tunnels Rating Criteria (pub. 24 Mar 2020)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form

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