

**Rating Action: Moody's changes outlook on ASTM's Baa2 ratings to negative**

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Madrid, December 02, 2020 -- Moody's Investors Service (Moody's) has today changed to negative from stable the outlook on ASTM S.p.A. (ASTM), the second-largest toll road operator in Italy. Concurrently, Moody's has affirmed the Baa2 senior secured rating and the (P)Baa2 senior secured and senior unsecured MTN ratings of ASTM.

**RATINGS RATIONALE**

The change in rating outlook to negative reflects Moody's expectation that ASTM's financial profile will weaken as a result of the increased shareholding in Ecorodovias Infraestrutura e Logistica S.A. (Ecorodovias) and full consolidation of the Brazilian group into ASTM. More particularly, the negative outlook reflects the risk that over the medium term ASTM's financial metrics would remain below the level considered commensurate for the current Baa2 rating, i.e. that the funds from operations (FFO)/debt ratio may remain below 17% and Moody's debt service coverage ratio (DSCR) may remain below 1.4x on a sustained basis. Moody's has modestly relaxed the required ratio guidance for ASTM group to reflect the increase in the average remaining life of the group's concessions to more than 12 years following the awarding of the two new Italian tenders, the increased shareholding in Società Italiana Traforo Autostradale del Frejus S.p.A. (SITAF), which operates one of the two tunnels that connects Italy with France, and the consolidation of Ecorodovias.

While at the beginning of November the Italian government has introduced regional lockdowns that affect the service area in which ASTM operates, Moody's expects toll road traffic to rebound relatively quickly once these restrictions are gradually lifted. Notably, the current restrictive measures are less severe than those imposed during the spring, and several industrial, commercial and manufacturing activities are now allowed to operate. Moody's anticipates that freight traffic will continue to recover supporting ASTM's revenue, while passenger traffic will be more exposed to travel restrictions and will recover gradually throughout the first half of next year. Overall, Moody's expects toll road traffic on ASTM's Italian motorway network to decline on a like-for-like basis by around 27%-30% in 2020 and to remain around 10%-12% below 2019 levels in 2021.

Traffic performance on Ecorodovias' motorway network has been less impacted by the coronavirus pandemic because the Brazilian government has not imposed travel bans or severe restrictions. While passenger traffic has declined due to social distancing, remote working and other public health measures, freight traffic has continued to operate at levels close to those in 2019. Overall, Moody's expects toll road traffic on Ecorodovias' network to decline on a like-for-like basis by around 7%-10% in 2020 and to remain around 5% below 2019 levels in 2021, mainly driven by a weaker macroeconomic outlook in Brazil for the next year.

Nevertheless, the recovery in traffic volumes next year will largely depend on future policy decisions to contain the spread of coronavirus, the availability of an effective vaccine or treatment, and the economic prospects of the country of operations. More positively, the consolidation of Ecorodovias and SITAF should provide ASTM group with higher diversification, better traffic mix and higher stability of cash flows.

ASTM's Baa2 rating remains supported by (1) the strong fundamentals of the group's Italian motorway network, comprising essential transport links in some of Italy's wealthiest regions; (2) the size and diversification of Ecorodovias' motorway network, which is located in the wealthiest states of Brazil; and (3) the group's balanced financial policy, also reflected in a moderate leverage position, strong liquidity profile, and lack of material funding and refinancing needs. These strengths are however partially offset by (1) a regulatory environment and tariff framework in Italy characterised by some political interference; (2) the relatively large investment programme in Italy and Brazil associated with recently awarded toll road concessions; (3) the presence of minority shareholders that create value leakage in the group's structure; and (4) the exposure to higher risk construction and engineering activities, although the evolution of their contribution to the overall group will be depend on future growth targets, as well as investment needs in ASTM's motorway concessions.

**LIQUIDITY AND DEBT COVENANTS**

ASTM's rating is supported by its strong liquidity profile. As of September 2020, the company had EUR1.5 billion of cash and cash equivalents. In addition, ASTM has a €250 million committed revolving credit facility,

€50 million expiring in 2021 and the remainder in 2023, a €350 million available term loan maturing in 2026 and a €100 million capex facility for Autovia Padana expiring in 2033. The group has also prefunded the increase in shareholding in SITAF with a €230 million bank loan maturing in 2025 and the transaction to consolidate Ecorodovias with a €370 million bank loan maturing in 2023. ASTM's liquidity position should allow the company to cover all cash requirements, including investments and debt repayments, for at least the next 12-18 months.

Given the detrimental impact on earnings stemming from the current travel restrictions, Moody's expects some reduction in the headroom against the financial covenants that are in some of ASTM's bank debt documents. Nevertheless, Moody's currently expects ASTM to continue to maintain adequate headroom against its default covenants in the next 12-18 months. In addition, Moody's notes that the majority of ASTM group's debt is not subject to any financial covenant.

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

In light of the current negative outlook, upward pressure on ASTM's rating is unlikely in the near future. The outlook could be stabilised if (1) following the lifting of travel restrictions and a return to normal traffic performance, the company's financial profile sustainably return to levels commensurate with the current rating, namely FFO/debt of at least 17% and a Moody's DSCR of at least 1.4x; and (2) the group continues to maintain a strong liquidity profile and a prudent financial policy.

Downward rating pressure could develop as a result of (1) a downgrade of the Government of Italy's rating; (2) a weakening in the group's financial profile such that FFO/debt would likely remain below 17% and Moody's DSCR would likely remain below 1.4x on a sustained basis; (3) a deterioration in the group's liquidity position; or (4) a growth strategy resulting in large-scale debt-funded acquisitions or significant investments in activities with a higher risk profile than motorway concessions.

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

ASTM's consolidated Italian motorway network is comprised of 11 different concessions, mostly located in the North-West of Italy, with a total length of almost 1,200 km. The group currently holds a 49% stake in Ecorodovias Infrastruttura e Logistica S.A., which manages 3,087 km of toll roads through 10 concessions in the South-West of Brazil, and will increase its stake to at least 51% at the completion of the Ecorodovias transaction. ASTM is also involved in construction, engineering and technology operations.

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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.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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