



RATING ACTION COMMENTARY

Fitch Places ASTM on Rating Watch Negative

Fri 26 Feb, 2021 - 3:01 PM ET

Fitch Ratings - Madrid - 26 Feb 2021: Fitch Ratings has placed ASTM S.p.A.'s Long-Term Issuer Default Rating (IDR) of 'BBB' on Rating Watch Negative (RWN). A full list of rating actions is at the end of this rating action commentary.

RATING RATIONALE

The rating action considers the potential material group re-leveraging as a result of the parent company's (Nuova Argo Finanziaria S.p.A. (NAF)) intention to fully debt-fund the buy-out of ASTM minorities.

Fitch will resolve the RWN if and when the transaction is concluded and there is more visibility on the group's deleveraging plan and medium-term capital structure. This could take place after the next six months.

KEY RATING DRIVERS

On 21 February, NAF launched a EUR1.7 billion tender offer through its wholly owned vehicle NAF 2 S.p.A. (NAF 2) aimed at acquiring 66.9 million of ASTM's shares, or 47.6% of its share capital, at a price of EUR25.6/share. Treasury shares (7.6%), shares already owned in ASTM by NAF (directly and indirectly - 43.0%) and by Mercure Investment S.à r.l. (a

vehicle of infrastructure asset manager Ardian - 1.7%), are excluded from the offer. The bid is fully backed by a letter of commitment from an international bank and the transaction is ultimately aimed at delisting ASTM shares from the stock exchange

ASTM and NAF 2 will likely merge after the offer is finalised, ultimately resulting into ASTM cash flow generation to service the additional debt raised in the context of the offer. Nevertheless, even in case a merger does not take place, we will look at the group's consolidated credit profile, including the parent-owned NAF 2, to rate ASTM. This is because ASTM's cash flow generation will be the sole source to service NAF 2 debt.

According to our preliminary calculation, group leverage post transaction will peak in 2022 and then progressively deleverage towards 6.0x by 2024. This compares with a 2024 leverage forecast of around 4.0x in the Fitch rating case of December 2020. Fitch, however, believes that, at the moment, there is no visibility on the outcome of the offer and future group financial strategy.

For an overview of ASTM's credit profile, including key rating drivers, see the rating action commentary 'Fitch Affirms ASTM at 'BBB'; Outlook Stable', published 15 December 2020 on www.fitchratings.com.

Asset Description

ASTM is the second-largest Italian toll road operator, managing around 20% of the national network. It is also a large infrastructure engineering and construction entity. It operates a portfolio of 10 majority-owned or fully owned and fully consolidated concessions. The group's operations are predominantly focused on Italy. ASTM is ultimately owned through its holding company by the Italian Gavio family (60%) and by Ardian Infrastructure (40%).

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to negative rating action/downgrade: - Fitch-adjusted leverage sustainably above 4.3x over the next three to five years. - The group has recently bid for four Italian concessions; two concessions are being formally awarded while on the other two there are legal disputes. We could revise the leverage guidance upward if the average maturity of group concession will be materially extended.

Factors that could, individually or collectively, lead to positive rating action/upgrade: - Fitch will resolve the RWN once the transaction is concluded and we have more visibility on the group's medium term capital structure. ESG CONSIDERATIONS Unless otherwise

disclosed in this section, the highest level of ESG credit relevance is a score of '3'. 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.

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>].

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.

RATING ACTIONS

ENTITY/DEBT	RATING			PRIOR
ASTM S.p.A.	LT IDR	BBB Rating Watch Negative	Rating Watch On	BBB Rating Outlook Stable
● ASTM S.p.A./Debt/1 LT	LT	BBB Rating Watch Negative	Rating Watch On	BBB Rating Outlook Stable
● ASTM S.p.A./Debt/2 LT	LT	BBB Rating Watch Negative	Rating Watch On	BBB Rating Outlook Stable

Feedback

[VIEW ADDITIONAL RATING DETAILS](#)**FITCH RATINGS ANALYSTS****Alberto Faraco Peinado, CFA**

Director

Primary Rating Analyst

+34 91 702 5778

Fitch Ratings Spain - Madrid

Paseo de la Castellana 31 9ºB Madrid 28046

Paolo Alessi

Senior Director

Secondary Rating Analyst

+39 02 879087 299

Danilo Quattromani

Managing Director

Committee Chairperson

+39 02 879087 275

MEDIA CONTACTS**Athos Larkou**

London

+44 20 3530 1549

athos.larkou@thefitchgroup.com

Pilar Perez

Barcelona

+34 93 323 8414

pilar.perez@fitchratings.com

Additional information is available on www.fitchratings.com**APPLICABLE CRITERIA**[Infrastructure and Project Finance Rating Criteria \(pub. 24 Mar 2020\) \(including rating assumption sensitivity\)](#)

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

APPLICABLE MODELS

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

Corporate Monitoring & Forecasting Model (COMFORT Model), v7.9.0 (1)

ADDITIONAL DISCLOSURES

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ASTM S.p.A.

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