

19 DEC 2023

## Fitch Affirms ASMT at 'BBB-'; Outlook Stable

Fitch Ratings - Madrid - 19 Dec 2023: Fitch Ratings has affirmed ASTM S.p.A.'s Long-Term Issuer Default Rating (IDR) at 'BBB-'. The Outlook is Stable. A full list of rating actions is below.

### RATING RATIONALE

The rating reflects ASTM's mature and resilient Italian toll road business as well as its exposure to sub-investment-grade country (Brazilian toll roads via Ecorodovias,) and engineering, procurement, and construction (EPC) activities, which reduce its debt capacity compared with EU toll road peers'. The rating also considers its solid liquidity and financial profile.

Under the Fitch rating case (FRC), ASTM's leverage will remain at around 5.3x-5.4x for 2023-2025 and increase again to 5.7x in 2027 when the concession SATAP A-4 is expected to mature.

### KEY RATING DRIVERS

Large Network, Moderate Volatility: Volume Risk - 'High Midrange'

ASTM is the second-largest Italian toll road operator, managing a network of about 1,400km that is critical for the mobility of wealthy north-west Italy. Traffic in vehicle kilometers (km) experienced a peak-to- trough decline of 12% in 2012-2013, similar to Autostrade per l'Italia SpA's (ASPI) 11%. The traffic mix is composed of about 75% light vehicles (LV) and 25% heavy vehicles (HV).

Ecorodovias, which owns and controls 11 toll road concessions in Brazil, adds volatility in exchange rate, traffic and cash flow in a non-investment-grade country but it also provides diversification benefits and extends ASTM's Fitch-adjusted toll road concession life based on 2022 EBITDA contribution to around 11 years (Ecorodovias alone has 15 years while the ASTM Italian perimeter has around 10 years). For an overview of Ecorodovias' main toll roads assets, see ' Fitch Afirma Ratings 'AA-(bra)' de Emissões da Ecorodovias; Perspectiva Estável' on [fitchratings.com](https://www.fitchratings.com).

Inflation- and Capex-Linked Tariff - Revenue Risk (Price): 'Midrange'

Following the application of the Transport Authority tariff mechanism and its new guidelines, ASTM's economic and financial plan, including tariff increases, is subject to approval every five years. The framework remains robust as it links tariff hikes to investment implementation and partially to inflation, de-linking cash flow generation from adverse traffic performance.

Tariff updates in Ecorodovias vary per concession. For some cases it is linked to inflation or construction price indices and in others is also linked to investments and maintenance of road stretches.

Experienced Operator, Low Complexity: Infrastructure Development and Renewal - 'Stronger'

The network capex plan for its Italian motorways is around EUR4 billion by the end of all concessions. This has increased from previous reviews, reflecting additional safety investments in line with new technical guidelines set by authorities and conservative price increases in raw materials. The overall plan, which has low complexity and is predominantly self-funded, will mostly be deployed by 2026. The plan has some flexibility, alleviating possible pressure on free cash flow (FCF) generation. We believe ASTM is sufficiently experienced to deliver its capex plan.

Corporate-Type Debt: Debt Structure - 'Midrange'

ASTM's debt is predominantly bullet (around 60%) with exposure to interest rates (20% in the Italian perimeter and 35% including Brazil), and with no material structural protection. Its presence in the capital markets is proven and the group also benefits from well-established relationships with a diversified network of national and international banks. A strong liquidity position, covering debt maturities beyond 24 months under the updated FRC, mitigates refinancing risk.

## Financial Profile

Fitch-adjusted leverage on a proportionally consolidation of Ecorodovias was 5.6x in 2022, well below our expectations of 6.5x due to better traffic and lower negative impact from a one-off loss recorded in the EPC business.

Our FRC projects leverage will remain at similar levels for 2023-2025 at around 5.3x-5.4x but will peak again at 5.7x in 2027 due to the loss of EBITDA from the expiry of its SATAP A4 concession, partly offset by the receipt of a material terminal value. In our FRC, we also assumed a handover to new concessionaires of the A21 and ATIVA road stretches by mid-2025.

Rating Approach

Fitch fully consolidates ASTM's controlled Italian toll road concessions (around 80% of EBITDA) and proportionally consolidates Ecorodovias, the latter resulting in a fairly low contribution to the group's overall EBITDA (18% at end-2022). EPC revenues are material but their EBITDA contribution remains negligible (2% as at 2021 and at around 4% for 2023-2027).

## PEER GROUP

ASTM peers in Fitch's EMEA rating portfolio are ASPI (BBB/Stable) and Brisa Concessao Rodoviaria, S.A. (Brisa, A/Stable). ASTM has performed broadly in line with ASPI in traffic even during the coronavirus outbreak, and historically exhibited less volatility than Brisa, although Brisa has had a stronger recovery in recent years.

Compared with domestically-focused ASPI, ASTM's Italian toll roads business has a shorter average concession tenor and slightly higher projected leverage. Furthermore, ASTM has a more complex group and debt structure. It also has exposure to more volatile regions such as Brazil and the EPC business, which weigh on its debt capacity and credit profile.

Compared with Brisa, higher leverage, combined with the shorter tenor of ASTM's portfolio of concessions and uncovenanted debt structure, underpins its lower rating.

## **RATING SENSITIVITIES**

### **Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade**

- Fitch-adjusted leverage sustained above 5.8x
- An increase in the proportion of more volatile contracting cash flows would lead Fitch to tighten its leverage downgrade sensitivity

### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

- Fitch-adjusted leverage sustained below 5.3x
- A favourable change to the mix of concession and construction businesses may lead Fitch to reassess the leverage trigger and associated debt capacity

## **CREDIT UPDATE**

ASTM's Italian network traffic during 2023 has performed ahead of our last FRC. As at end-November, traffic grew around 3% compared with the same period of 2022, with a marked difference between LV at around 4% and HV slowing down from previous years to 0.6% YoY. Ecorodovias' 9M23 YoY growth was around 5.2%, excluding new additions to the portfolio.

The Italian government announced an official average tariff increase for 2023 of around 3.2%, weighted by traffic. While ASTM's five-year economic plans are still under scheduled review, our FRC projects tariff increases for 2024 to partly track previous budget inflation in Italy.

ASTM's EPC business operates across 10 countries, principally in Italy, Brazil, western Europe and the US, mainly through its subsidiary Itinera. In 2022, the EPC division recorded a loss of around EUR60 million, due to a one-off loss in its Storstroem Bridge Project.

## **FINANCIAL ANALYSIS**

Fitch-adjusted net leverage ended 2022 at 5.6x, below our expectations of 6.0x under our last FRC. From 2023, leverage will be at 5.4x before it declines to 4.8x in 2026.

Fitch assumes ASTM will continue benefiting from EBITDA generation from expiring concessions (A21+ ATIVA) up to 2025 and collect a terminal value payment, with a positive effect on net debt. SATAP A-4, which represented 25% of 2022 EBITDA from the Italian toll road perimeter, will expire by end-2026 and result in a leverage peak of 5.7x in 2027.

The FRC assumes 2023 traffic growth in the Italian perimeter at around 2% YoY, in line with year to date performance as of September 2023. This will be followed by a slight reduction of traffic growth in

2024 on declining consumer spending in Italy affecting LV and a progressive normalisation of HV. Overall growth for 2024 is expected to be 1%. From 2025, traffic will mirror Fitch's updated Global Economic Outlook assumptions for Italy GDP and consumer spending, with 1.5% YoY growth.

The FRC assumes a conservative 0.9% increase in tariffs for 2024, below management's expectations of 1.1% weighted by overall traffic in Italy, and higher annual increases of 6% YoY for 2025 -2027, reflecting ASTM's ambitious capex plan for Italian toll road concessions.

For the EPC sector, we have applied a significant haircut to the management case to reflect the segment's volatility offsetting its mild positive contribution to group EBITDA. Fifty per cent of EPC revenues are related to captive activities within the group.

## 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.

## ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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**Rating Actions**

ENTITY/DEBT	RATING		RECOVERY	PRIOR
ASTM S.p.A.	LT IDR	BBB- ●	Affirmed	BBB- ●

- ASTM  
S.p.A./Toll  
Revenues

- Senior Secured Debt/ 1 LT	LT	BBB- ●	Affirmed	BBB- ●
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- ASTM  
S.p.A./Toll  
Revenues

- Senior Unsecured Debt/ 1 LT	LT	BBB- ●	Affirmed	BBB- ●
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**RATINGS KEY OUTLOOK WATCH**

<b>POSITIVE</b>	⊕	◇
<b>NEGATIVE</b>	⊖	◇
<b>EVOLVING</b>	◉	◆

## RATINGS KEY OUTLOOK WATCH

STABLE



### Applicable Criteria

[Infrastructure & Project Finance Rating Criteria \(pub.17 May 2023\) \(including rating assumption sensitivity\)](#)

[Transportation Infrastructure Rating Criteria \(pub.18 Dec 2023\) \(including rating assumption sensitivity\)](#)

### Applicable Models

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

GIG InForM Model, v1.1.0 (1)

### Additional Disclosures

[Solicitation Status](#)

### Endorsement Status

ASTM S.p.A. EU Issued, UK Endorsed

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<https://www.fitchratings.com/site/re/10238496>

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