Comunicato Stampa

STANDARD & POOR'S CONFERMA IL RATING BBB- DI AUTOSTRADE PER L'ITALIA

Roma, 6 dicembre 2022 - L'agenzia di rating S&P Global Ratings, ha oggi riconfermato il rating BBB- di Autostrade per l'Italia che riflette la solidità finanziaria e la qualità del credito della società. L'outlook sul rating rimane stabile.

In allegato la nota completa dell'agenzia di rating.

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Research Update:

Autostrade per l'Italia SpA Affirmed at 'BBB-' On Strengthened Stand-Alone Credit Quality; Outlook Stable

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Rating Action Overview

- In our view, the amount of dividends distributed by ASPI in 2022 (€682 million) and the policy to calibrate them to achieve and sustain credit metrics in line with an investment-grade rating indicates the new shareholders' supportiveness to Autostrade per l'Italia SpA's (ASPI's) credit quality.
- The execution of the large investment plan agreed to with the grantor is progressing and we continue to expect discretionary cash flow (DCF) will remain negative, despite solid S&P Global Ratings-adjusted funds from operations (FFO) to debt of 18%-20% on average in 2022-2023, declining toward 13%-16% in 2024 when cumulated capital expenditure (capex) increases.
- We understand that ASPI, controlled through Holding Reti Autostradali SpA (HRA) by the consortium composed of Cassa Depositi e Prestiti Equity SpA (45% indirect stake), Blackstone Infrastructure Partners (BIP; 21.6%), and funds managed by Macquarie Asset Management (MAM; 21.6%), will remain focused on capex and will not have an acquisitive appetite while the investment plan unfolds.
- We therefore affirmed our 'BBB-' long-term issuer credit and issue rating on ASPI and its debt, and revised upward our stand-alone credit profile (SACP) on the company to 'bbb-' from 'bb+'. We also affirmed our 'A-3' short-term rating on ASPI.
- The stable outlook reflects our expectation that the company will continue to deliver its large investment plan and maintain solid traffic levels while dividend distributions remain flexible and in line with our forecasts.

Rating Action Rationale

We understand the company's financial policy under the new shareholders will help ASPI maintain an investment-grade stand-alone credit profile. The dividends distribution approved by ASPI in 2022 (€682 million) and the policy to distribute an annual amount in line with previous year's net income and retained earnings is supportive, in our view, of ASPI's credit quality and is included in HRA's shareholder agreement. The policy adopted by the new shareholders (CDP Equity, BIP, and MAM), which acquired an 88% stake in the company from Atlantia in May 2022, indicates that distributions will be calibrated not to harm ASPI's investment grade credit quality, for instance FFO to debt solidly above 13% in 2022-2024. As long as the capex plan unfolds as anticipated and we expect S&P Global Ratings-adjusted FFO to debt will decline to about 13% after 2024 due to increased leverage, we expect the shareholders will demonstrate flexibility in distributions. At the same time, no financial debt has been raised at the level of HRA following the acquisition, which could have increased the group's leverage for shareholders' benefit. Therefore, both elements provide clarity that capital structure and expected dividends confirm our previous forecasts.

The large investment plan agreed with the grantor is progressing, although some capex delays could reduce the tariff increase in 2023 slightly below the cap (1.61%). The investment plan included in the Economic and Financial Plan (PEF; €14.1 billion over 2020-2038) has registered some delays in 2022 as we estimate that capex for the year could stand at about €950 million-€1 billion (versus €1.3 billion assumed in the PEF). This affects the annual regulatory tariff increase for 2023 that could be closer to 1.5%, slightly below the maximum annual increase under the 2020-2024 regulatory period (1.61% annual cap). The amount of annual tariff discounts to users will also be agreed with the grantor, considering that, of the total amount in the settlement agreement (€509 million), €189 million has been used as of September 2022. Delays are due to workforce shortages in the construction sector and pending approvals of large projects by the grantor, such as the Genoa and Bologna bypass. Besides the impact on the tariff, delays on the PEF capex are not posing a risk to ASPI's concession as they can be reprofiled during the life of the concession (due 2038) and depend also on projects approval by the grantor. At the same time, the settlement agreement agreed with the grantor is on track, particularly the investment in the new bridge in Genoa and community support (€583 million, almost entirely completed) and nonremunerated capex (€1.2 billion, of which about €130 million is expected to be completed in first-half 2023). Under current market conditions, we expect the capex plan's financing to cost more, although we anticipate the company will ensure sufficient liquidity.

Inflation is not passed to final users through the tariff annually, but the application of a higher price index on capex will be included in the company's regulated asset base (RAB). According to the RAB mechanism, the parameters to set the annual tariff increase are updated at the beginning of every five-year regulatory period and, until 2024, the annual tariff growth is set at 1.61% maximum. This means that, in the near term, inflation risk is borne by the company, which will reset the tariff level in the next regulatory period (2025-2029) to protect the investments' remuneration as agreed under the concession. Considering the high inflation, which has affected raw material and construction costs, the higher price index's application has been granted to Italian concessionaires under Law Decree n. 50/2022 (the Decreto Aiuti) to successfully launch tenders and execute the capex plan. This cost increase will be recognized to the company in its RAB, despite the immediate impact on its cash flow during the construction period.

We expect solid traffic levels to support metrics, although weaker economic conditions could limit growth potential. We expect traffic on ASPI's network, which represents about 50% of the total Italian network by length, to recover to about 98% of 2019 levels in 2022. This reflects that, as of October 2022, total traffic was 2.2% below pre-pandemic levels. Nevertheless, we reflect in our forecasts that weaker economic conditions (with a 0.1% GDP contraction under S&P Global Ratings' most recent assumptions in 2023) could limit growth, both on heavy traffic, which is typically more exposed to GDP trends, and light vehicles if economic conditions were to affect consumer spending.

Outlook

The stable outlook reflects our expectation that the company will continue to deliver its large investment plan and maintain solid traffic levels, while dividend distributions remain in line with our forecasts.

Downside scenario

We see a negative rating action on the company during our outlook horizon as unlikely.

Assuming no changes in the sovereign rating and on our view of a high likelihood of extraordinary support from the Italian government, a downgrade to ASPI to 'BB+' would require its SACP to be revised down three notches to 'bb-'. This could occur if:

- The company pursued a more aggressive financial policy or an acquisitive strategy that could result in more deeply negative DCF and substantially higher leverage than anticipated.
- It had liquidity constraints to ensure the capex plan's financing.

We do not expect a deteriorating operating environment to lead to a downgrade to ASPI, considering the regulated-asset-based earnings profile of the company.

Assuming no changes in the stand-alone credit profile, a downgrade of the sovereign by one notch would not affect the ratings on ASPI.

Upside scenario

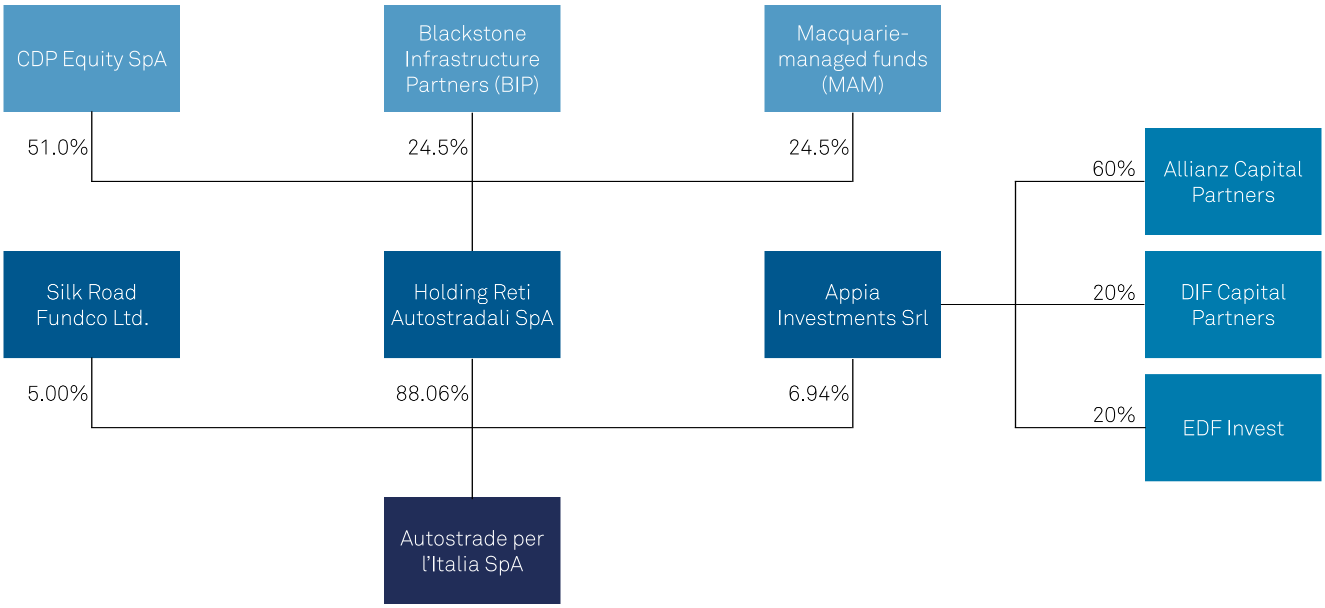
We could upgrade ASPI if we raise the rating on Italy, given our assessment of the high likelihood of extraordinary government support, all else being equal. This would occur if the new government moves ahead with the delivery of reforms and continues the path of gradual budgetary consolidation to address the government's high indebtedness.

We see an upside scenario for ASPI's SACP as unlikely because it would require some longer track record on the execution of its investment plan and timely tariff approval by the grantor.

Company Description

ASPI is headquartered in Rome and operates one of the largest toll road networks in Europe (2,855 kilometers, representing about 50% of the total Italian network), under a concession that will last until December 2038. In addition to operating this concession, the company owns stakes in several smaller Italian motorway concessionaires and provides engineering, research and designing, and administrative services.

Autostrade per l'Italia SpA Organizational Structure



Source: S&P Global Ratings.

Our Base-Case Scenario

Assumptions

- Traffic at 98% of 2019 levels in 2022, largely flat in 2023, followed by 1.0%-1.5% annual growth afterward. We consider Italy's GDP growth to be a proxy for traffic growth. GDP is forecast to contract 0.1% in 2023, followed by 1.5% growth in 2024 and 1.1% growth in 2025.
- A 1.5% regulatory annual tariff increase in 2023, followed by 1.6% in 2024, combined with €90 million-€100 million annual discounts, which we deduct in our adjusted revenue.
- Overall revenue growth of 8%-9% in 2022, moderating toward 2.5%-3.0% thereafter, reflecting traffic growth and the application of contractual tariff increases.
- Operating costs impaired by increase in inflation and the cost of raw materials, considering our forecast of Italy's consumer price index (CPI) at 7.8% in 2022, 4.3% in 2023, and 1.9% in 2024.
- Capex of about €1.4 billion in 2022 (including nonremunerated capex and measures included in the settlement agreement), followed by €3.5 billion-€3.7 billion in 2023-2024.
- A dividend policy to distribute about 100% of the previous year's net income, which implies dividends of €800 million-€900 million per year.
- HRA remaining a debt-free vehicle.

Key metrics

Autostrade Per l'Italia SpA--Key Metrics*

	--Fiscal year ended Dec. 31--				
Mil. €	2020a	2021a	2022e	2023f	2024f
Revenue	2,998	3,785	4,000-4,200	4,100-4,300	4,200-4,400
EBITDA	1,880	2,470	2,500-2,700	2,450-2,650	2,500-2,700
EBITDA margin (%)	62.7	65.3	61.0-64.0	61.0-64.0	61.0-64.0
Debt§	11,340	9,462	9,500	10,000-11,000	11,000-12,000
Debt to EBITDA (x)	6.00	3.80	3.5-4.0	4.0-4.5	4.5-5.0
FFO to debt (%)	11.9	21.6	20.0-22.0	18.0-20.0	14.0-16.0
FOCF to debt (%)	(2)	3.6	3.0-4.0	<0	<0

*All figures adjusted by S&P Global Ratings. §2021 year-end debt consists of net financial debt of €9.34 billion, with the key adjustments being €93 million in postemployment benefits and €33 million in finance leases. a--Actual. e--Estimate. f--Forecast.

Liquidity

We assess ASPI's liquidity at adequate, indicating that we expect sources to cover uses by more than 1.2x for the 12 months to Sept. 30, 2023. Moreover, the company enjoys good relationships with banks and covenant headroom.

We estimate the following principal liquidity sources for the 12 months to Sept. 30, 2023:

- Total unrestricted available cash of about €1.3 billion;
- Committed undrawn facilities amounting to €2 billion, including a €750 million sustainability-linked revolving credit facility (RCF) maturing in 2026, and €600 million available under the €1.1 billion term loan facility provided by CDP maturing in 2027 and €850 million under a new line signed in 2022; and
- Positive cash FFO of €1.7 billion-€1.8 billion.

We anticipate the following principal liquidity uses over the same period:

- Debt repayment of €855.7 million;
- Capex of about €1.7 billion; and
- Distributions to shareholders of €900 million-€950 million.

Covenants

ASPI is required to maintain a minimum debt service coverage ratio of 1.2x under its concession. Also, we expect the company to maintain adequate headroom on financial covenants within certain bank facilities.

Issue Ratings - Subordination Risk Analysis

Capital structure

As of Dec. 31, 2021, the company had about €11 billion of senior unsecured debt, of which €312 million was issued by ASPI's subsidiaries (including SAM's debt repaid in April 2022).

Analytical conclusions

We rate the senior unsecured debt issued by ASPI 'BBB-', the same level as the issuer credit rating. This is because the amount of external debt issued by the company's subsidiaries is limited and we consider there would be limited contractual subordination at the ASPI parent level.

Ratings Score Snapshot

Issuer credit rating	BBB-/Stable/A-3
Business risk:	Satisfactory
Country risk	Moderately high
Industry risk	Low
Competitive position	Satisfactory
Financial risk:	Significant
Cash flow/leverage	Significant
Anchor	bbb-
Modifiers:	
Diversification/Portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Fair (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile:	bbb-
Related government rating	Italy (unsolicited): BBB/Stable/A-2
Likelihood of government support	High (no impact)

ESG credit indicators: E-2, S-3, G-3

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010

Ratings List

Ratings Affirmed	
Autostrade per l'Italia SpA	
Issuer Credit Rating	BBB-/Stable/A-3
Senior Unsecured	BBB-