

RATING ACTION COMMENTARY

Fitch Affirms ASTM at 'BBB-'; Outlook Stable

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Fitch Ratings - Milan - 21 May 2024: Fitch Ratings has affirmed ASTM S.p.A.'s Long-Term Issuer Default Rating (IDR) at 'BBB-' with a Stable Outlook. A full list of rating actions is below.

RATING RATIONALE

The affirmation follows ASTM's acquisition of Tangenziale Esterna (TE). It reflects moderate group re-leveraging in the context of slightly higher debt capacity resulting from the longer average life of the concession portfolio. TE is a high-quality brownfield asset with a remaining concession life of 42 years and a strategic location in a wealthy Italian catchment area. We view the group's 2024 assumed consolidated leverage of 5.8x as commensurate with the current rating.

The 'BBB-' rating reflects ASTM's mature and resilient Italian toll road business, solid liquidity and financial profile. The rating also factors in its exposure to a sub-investment-grade country (Brazilian toll roads via Ecorodovias) and engineering, procurement, and construction (EPC) activities, which we view as more volatile than the traditional brownfield toll road business.

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 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 about 75% light vehicles (LV) and 25% heavy vehicles (HV).

Ecorodovias, which owns and controls 11 toll road concessions in Brazil, adds volatility to exchange rate, traffic and cash flow in a non-investment-grade country. However, it also provides diversification benefits and extends ASTM's Fitch-adjusted toll road

concession life, based on 2023 EBITDA contribution, to around 13 years (Ecorodovias alone has 18 years while the ASTM Italian perimeter has around 11.5 years, including TE). For an overview of Ecorodovias' main toll roads assets, see 'Fitch Afirma Ratings 'AA-(bra)' de Emissões da Ecorodovias; Perspectiva Estável' on 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 by concession. For some it is linked to inflation or construction price indices, while at others it is linked to investments and maintenance of roads.

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 is an increase from previous years, reflecting additional safety investments in line with new technical guidelines set by authorities and conservative price increases for raw materials. The overall plan has low complexity and is predominantly self-funded and will be mostly 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 70%) with exposure to interest rates (around 20%), and 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 (excluding the new debt at TE level) beyond 24 months under the updated Fitch rating case (FRC), mitigates refinancing risk.

Financial Profile

The new financial profile under the FRC, which includes the proportional consolidation of Ecorodovias and the full consolidation of TE looks volatile, starting from 5.8x in 2024,

declining to 5.1x in 2026 and then peaking at close to 6.0x in 2027, mainly due to the expiration of some Italian concessions, combined with the cash in of their terminal value.

Rating Approach

Fitch fully consolidates ASTM's controlled Italian toll road concessions (around 65% of EBITDA) and proportionally consolidates Ecorodovias, with the latter having a fairly low contribution to the group's overall EBITDA (23%). EPC revenues make a material EBITDA contribution, which increased in 2023 (11% and expected to be around 8% for 2024-2027). TE will be fully consolidated into ASTM's financial statements.

PEER GROUP

ASTM's peers in Fitch's EMEA rating portfolio are ASPI (BBB/Stable) and Brisa Concessao Rodoviaria, S.A. (Brisa, A/Stable). ASTM's traffic has performed broadly in line with ASPI, even during the pandemic, and has 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. ASTM also has a more complex group and debt structure. It is exposed 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 to be sustained above 6.0x.
- 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 to be sustained below 5.5x.
- A favourable change in the mix of concession and construction businesses may lead Fitch to reassess the leverage trigger and associated debt capacity.

TRANSACTION SUMMARY

ASTM announced on 13 May the acquisition of a 24.7% direct and indirect stake in TE, a 32km toll road connecting Agrate Brianza (A4) to Melegnano (A1) in the Lombardy region for around EUR230 million. ASTM will have a controlling stake in TE of 73.8% and will consolidate it in its accounts. The final stake will be dependent on the exercise of the right of first refusal from current TE shareholders and closing is subject to obtaining all the necessary authorisations. ASTM expects to raise debt to fund the transaction.

The acquisition will have a moderate impact on ASTM group's credit metrics, resulting in a 0.5x increase in leverage across the rating horizon, leading to a consolidated leverage of 5.8x at the end of 2024 in Fitch Rating Case the FRC.

TE's remaining duration is close to 42 years, increasing ASTM's 2023 EBITDA weighted average portfolio concession life by approximately 1.2 years to around 13.5 years. We have then increased the group's debt capacity by 0.2x.

CREDIT UPDATE

ASTM's Italian network traffic performed ahead of the FRC during 2023. As at end-December 2023, traffic had grown around 3% yoy, with a marked difference between LV and HV growth at around 4% and 0.5% yoy, respectively.

The Italian government announced an official average tariff increase for 2024 of around 2.3%. In 2023, the EPC division generated EBITDA of around EUR167 million.

FINANCIAL ANALYSIS

Fitch-adjusted net leverage, including the proportional consolidation of Ecorodovias and the full consolidation of TE, stands at 5.8x in 2024, and close to 6.0x by 2027. Fitch assumes ASTM will continue benefiting from EBITDA generation from expiring concessions (A21+ ATIVA) up to 2025, collecting their net terminal value payment at hand over, with a positive effect on net debt. SATAP A4, which represented 24% of 2023 EBITDA of the Italian toll road perimeter, will expire by end-2026, justifying the peak in leverage at 2027.

The FRC assumes 2024 traffic growth at around 1% in the Italian portfolio, on softer LV volumes as well as a progressive normalisation of HV trends. 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 accounts for a 2.3% increase in tariffs for 2024 and higher annual increases of 6% yoy for 2025-2027, reflecting ASTM's ambitious capex plan for Italian concessions.

Fitch has applied a significant haircut to the management case in the EPC financials, to reflect the segment's volatility. Around half 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>.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕	PRIOR ↕
ASTM S.p.A.	LT IDR BBB- Rating Outlook Stable Affirmed	BBB- Rating Outlook Stable
ASTM S.p.A./Toll Revenues - Senior Secured Debt/1 LT	LT BBB- Rating Outlook Stable Affirmed	BBB- Rating Outlook Stable
ASTM S.p.A./Toll Revenues - Senior Unsecured Debt/1 LT	LT BBB- Rating Outlook Stable Affirmed	BBB- Rating Outlook Stable

[VIEW ADDITIONAL RATING DETAILS](#)

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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)

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