

13 Jun 2019 | Affirmation

Fitch Affirms SIAS at 'BBB+'; Outlook Negative

Fitch Ratings-Milan/London-14 June 2019: Fitch Ratings has affirmed Italian toll road operator SIAS S.p.A.'s (SIAS) Long-Term Issuer Default Rating (IDR) at 'BBB+'. The Rating Outlook is Negative reflecting not only the Negative Outlook on the Italian sovereign ratings, but also the reduced headroom in metrics.

A full list of rating actions can be found at the end of this rating action commentary.

The rating actions follow SIAS's recent announcement to merge with its direct parent company ASTM S.p.A. (ASTM) and reflect the prospective increase in leverage levels and a marginal deterioration in the business risk profile prompted by the proposed merger.

Deal Description

Under the proposed transaction, SIAS will be merged with its direct parent ASTM which, in its capacity as incorporating company, will assume all of SIAS' rights and financial/non-financial obligations, continuing all relationships existing prior to the merger; once the proposed merger is complete, SIAS will cease to exist as a separate legal entity.

The new group will remain firmly anchored on toll roads as almost integral contributor to group earnings -- about 95% of FY2018 EBITDA -- but will also have modest exposure to the cyclical Engineering & Construction (E&C) business. As such, the merger, if completed, would trigger a revised leverage guidance of 2.9x-3.8x, down from the current 3.0x-4.0x. The revised guidance would reflect the current contribution of ASTM toll roads and construction activities to overall group cash flow generation.

The proposed transactions will also result in additional debt of about EUR0.4 billion at ASTM. Approximately half of this is related to the existing debt of ASTM Holdco and the E&C business - as adjusted by Fitch - which the agency will be consolidating into the new rated entity. The remaining portion - up to EUR0.25 billion - should arise in the context of the proposed merger to purchase/pay down minorities at SIAS/ASTM, which will ultimately allow Gavio/Ardian to retain control on ASTM (greater than or equal to 50% + 1 share).

The proposed transaction is anticipated to support future growth for the ASTM group, as the leaner and simplified group structure should facilitate access to the equity capital markets.

Financial Profile

Under the updated Fitch rating case (FRC), Fitch-adjusted leverage is expected to peak at 3.8x in 2022 -- up from 3.4x in the April FRC -- reducing the headroom at the current rating level amid a short average concession maturity.

RATING SENSITIVITIES

Future Developments That May, Individually or Collectively, Lead to Negative Rating Action:

- Negative rating action on the sovereign (BBB/Negative);
- A change in the terms and conditions of the proposed merger, resulting in a higher releveraging of the resulting group;
- Fitch may downgrade the rating if post-merger, Fitch-adjusted leverage is expected to be sustainably above 3.8x over the next three to five years. The agency may re-assess this ratio guidance and associated debt capacity, should the average remaining concession life further decrease or, equally, should the mix of concession and construction businesses change;
- Material extraordinary support to or the acquisition of the full control of non-recourse assets, or a sustained move toward debt-funded acquisitions, all of which may lead to a lower-quality business and financial risk profile;
- A material adverse change in creditor-protective Italian regulatory framework or in the terms and conditions of SIAS's key concessions.

Future Developments That May, Individually or Collectively, Lead to Positive Rating Action:

Fitch could stabilize the Outlook if Italy's Sovereign Outlook is revised to Stable provided that the group releveraging post-merger will be lower than expected if the merger is completed. The above assumes that SIAS' rating notching above the Italian sovereign remains unchanged.

CREDIT UPDATE

For more information, please see "Fitch Affirms SIAS at 'BBB+'; Outlook Negative" dated April 2, 2019 at fitchratings.com.

Assessment of Key Rating Drivers:

Revenue Risk (Volume): Midrange

Revenue Risk (Price): Midrange

Infrastructure Development and Renewal: Stronger

Debt Structure: Midrange

Fitch has affirmed the following ratings:

Long-Term IDR at 'BBB+'; Outlook Negative;

EMTN programme of EUR2 billion (senior secured notes) at 'BBB+'; Outlook Negative;
EMTN programme of EUR2 billion (senior unsecured notes) at 'BBB+'; Outlook Negative;
Senior secured notes at 'BBB+'; Outlook Negative.

Contact:

Primary Analyst

Paolo Alessi

Director

+39 02 879087 299

Fitch Italia - Societa Italiana per il Rating S.p.A.

Via Morigi 6

20123, Milan

Secondary Analyst

Danilo Quattromani

Senior Director

+39 02 879087 275

Committee Chairperson

Glaucia Calp

Managing Director

+57 1 326 9999

Media Relations: Athos Larkou, London, Tel: +44 20 3530 1549, Email:
athos.larkou@thefitchgroup.com

Additional information is available on www.fitchratings.com

Applicable Criteria

[Rating Criteria for Infrastructure and Project Finance \(pub. 27 Jul 2018\)](#)

[Toll Roads, Bridges and Tunnels Rating Criteria \(pub. 30 Jul 2018\)](#)

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