



Press Release

STANDARD & POOR'S REVISED AUTOSTRADE PER L'ITALIA OUTLOOK TO STABLE

Rome, 2 August 2022 – The rating agency S&P Global Ratings, following the recent Outlook revision to stable (from positive) on the rating of the Republic of Italy, has taken a similar action on Autostrade per l'Italia considered to be a government-related entity. The outlook on Autostrade per l'Italia rating has been revised to stable (from positive) and the Company rating has been affirmed at 'BBB-'.

The full text of the rating agency's announcement is attached.

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Outlooks On Ferrovie dello Stato Italiane And Autostrade per l'Italia Revised To Stable After Similar Action On Italy

August 2, 2022

Rating Action Overview

- On July 26, 2022, we revised our outlook on Italy to stable from positive.
- We consider integrated rail group Ferrovie dello Stato Italiane (FSI) and toll road operator Autostrade per l'Italia SpA (ASPI) to be government-related entities, because FSI is fully owned by the Italian Ministry of Economy and Finance and ASPI is 45% owned by state-owned Cassa Depositi e Prestiti.
- Exposure to Italy is a key credit driver for our ratings on FSI and ASPI, because FSI relies on public grants to finance most of its network investments and receives ongoing public revenues to support passenger services, and ASPI operates a strategic national asset and its heavy investments are a priority to the government.
- We revised our outlooks on FSI and ASPI to stable from positive and affirmed the 'BBB' rating on FSI and the 'BBB-/A-3' ratings on ASPI
- The stable outlooks mirror the outlook on Italy.

MILAN (S&P Global Ratings) Aug. 2, 2022--S&P Global Ratings today revised to stable from positive its outlooks on Italian government-related entities (GREs) Ferrovie dello Stato Italiane (FSI) and Autostrade per l'Italia SpA (ASPI). We affirmed the 'BBB' issuer credit and issue ratings on FSI and its debt and the 'BBB-/A-3' issuer credit and issue ratings on ASPI and its debt.

The outlook revisions mirror our rating action on Italy (see "Italy Outlook Revised To Stable From Positive On Risks To Reforms; Ratings Affirmed" published July 26, 2022, on RatingsDirect).

The ratings on FSI and ASPI are linked to our sovereign rating on Italy. Exposure to Italy is a key rating driver for FSI and ASPI. FSI displays a stronger stand-alone credit profile (SACP), at 'bbb+', than the sovereign, and its rating is capped by our rating on Italy (unsolicited; BBB/Stable/A-2). We assess the likelihood that FSI would receive extraordinary government support as extremely high. ASPI has a lower SACP, at 'bb+', than the sovereign rating and benefits from a one-notch uplift due to our view of a high likelihood of government support.

We believe that a default of Italy could affect FSI's and ASPI's credit quality because they are fully or partially state owned and predominantly operate in the domestic market.

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Our revision of the outlook on the long-term sovereign credit rating on Italy stems from potential risks to critical reforms. On July 21, 2022, Italy's President Sergio Mattarella dissolved parliament, nine months earlier than its original mandate, following the resignation of Prime Minister Mario Draghi. This will result in Italy holding general elections on Sept. 25, 2022, temporarily leaving the country with a caretaker government during a volatile period for global and European economies. Until then, Mario Draghi will serve as acting prime minister. The dissolution of the national unity government at an uncertain time for the European economy poses a risk to Italian GDP growth, which has lagged that of other G7 economies for many years. These risks include the possibility that an incoming government could delay the reforms embedded in Italy's National Recovery and Resilience Plan (Piano Nazionale di Ripresa e Resilienza), with the European Commission's estimating that, as of July 2022, Italy has fulfilled 10% of the total milestones and targets. On these targets depend the remaining Recovery and Resilience Facility (RRF), an estimated 7.6% of Italian GDP.

Ferrovie dello Stato Italiane (FSI)

Primary Analyst: Annabelle Teo

We continue to assess FSI's SACP at 'bbb+'. The sovereign rating on Italy constrains our rating on FSI because we consider the Italian railway group to be a GRE with an extremely high likelihood of government support, if needed. This reflects an integral link to its sole owner, the Ministry of Economy and Finance, and an important role as the manager of the national rail infrastructure, passenger transport provider, and freight provider in the country.

The government maintains very tight control over FSI and ultimately determines the company's strategy. In our view, FSI cannot be rated higher than the sovereign rating on Italy because the company strongly relies on public grants to cover most of its network investments. It also receives ongoing public revenues from Italian regions and the central government to support transport passenger services. Furthermore, FSI plays an integral role in the government's allocation of resources from the NextGenerationEU Recovery Plan, and in 2021 it was granted €958 million of extraordinary state support to mitigate the impact of the COVID-19 pandemic.

Outlook

The stable outlook on FSI mirrors the outlook on Italy (unsolicited; BBB/Stable/A-2). FSI displays stronger stand-alone credit quality than the sovereign, but we cap our rating on FSI at the long-term sovereign credit rating on Italy. Since the state fully owns FSI, we think the group's creditworthiness is intrinsically linked to that of Italy, which exercises tight control over the company's strategy and management.

The stable outlook also reflects our expectation that FSI will maintain adequate liquidity on an ongoing basis, based on state support and sound relationships with banks, despite large upcoming debt maturities. We also note additional liquidity support will come from the recent increase in the company's revolving credit facility to €3 billion.

Downside scenario: We could take a negative rating action on FSI if there is a similar rating action on Italy.

All else being equal, we could lower the rating by one notch if we were to revise downward our assessment of FSI's SACP by three notches to 'bb+' from 'bbb+'. Given FSI's solid credit metrics,

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we see this scenario as unlikely in the next 12-18 months, but it could occur as a result of a significant deterioration in its liquidity.

Although it would not affect the rating, we could revise downward our assessment of FSI's SACP by one notch to 'bbb' if we expected:

- The group's funds from operations (FFO) to debt to decline below 13% on average; or
- Liquidity headroom to remain tight over a 12-month horizon under our methodology, such that expected sources did not comfortably cover expected uses with a 20% buffer.

Upside scenario: We would raise the rating on FSI if we took a similar action on Italy, all else being equal.

Ferrovie dello Stato Italiane--Ratings Score Snapshot

	To	From
Issuer credit rating	BBB/Stable/--	BBB/Positive/--
Business risk:	Strong	Strong
Country risk	Moderately high	Moderately high
Industry risk	Low	Low
Competitive position	Strong	Strong
Financial risk:	Intermediate	Intermediate
Cash flow/leverage	Intermediate	Intermediate
Anchor	bbb+	bbb+
Modifiers:		
Diversification/Portfolio effect	Neutral (no impact)	Neutral (no impact)
Capital structure	Neutral (no impact)	Neutral (no impact)
Financial policy	Neutral (no impact)	Neutral (no impact)
Liquidity	Adequate (no impact)	Adequate (no impact)
Management and governance	Satisfactory (no impact)	Satisfactory (no impact)
Comparable rating analysis	Neutral (no impact)	Neutral (no impact)
Stand-alone credit profile:	bbb+	bbb+
Related government rating	Italy, unsolicited, BBB/Stable/A-2	Italy, unsolicited, BBB/Positive/A-2
Likelihood of government support	Extremely high (-1 notch)	Extremely high (-1 notch)

ESG credit indicators: E-1, S-2, G-2

Autostrade per l'Italia SpA (ASPI)

Primary analyst: Annabelle Teo

We consider ASPI as a GRE since the consortium led by Cassa Depositi e Prestiti (CDP) acquired

Atlantia's 88.06% stake in ASPI on May 5, 2022. The change of control led us to consider ASPI as a GRE benefiting from a high likelihood of extraordinary support from the government, based on a very important role and strong link to the government. This reflects that the Italian government indirectly owns 45% of ASPI via CDP and the company operates a strategic national asset, with large investments that are a priority to the government. This results in a one-notch uplift in our rating on ASPI.

Our assessment of ASPI's SACP at 'bb+' reflects its good competitive position as one of the largest toll networks in Europe, long concession agreement until December 2038, and a predictable and stable regulatory environment underpinned by a five-year regulated-asset-based model that guarantees investment returns and remuneration in costs. We expect ASPI to generate a solid FFO-to-debt ratio of about 17%-19% over 2022-2024. Nevertheless, in our view, the company's SACP is constrained by high capital expenditure (capex) obligations; it is due to deliver on a €14 billion investment plan by 2038. Pending greater visibility in terms of the company's dividend policy and capital structure, we anticipate that ASPI will have negative discretionary cash flow (DCF) over our projection horizon through 2024.

CDP's main equity investment holding, CDP Equity SpA, which is 100%-owned by CDP, indirectly holds a 45% stake in ASPI, through a 51% stake in Holding Reti Autostradali SpA (HRA). This makes CDP the largest shareholder, followed by Blackstone Infrastructure Partners (BIP) and Macquarie Asset Management (MAM), which each have an indirect stake of about 21.6% in ASPI. The remaining direct shareholders are Silk Road Fund and Appia Investment Srl.

Outlook

The stable outlook mirrors that on Italy (unsolicited; BBB/Stable/A-2) and our opinion that ASPI benefits from a high likelihood of extraordinary support from Italy in case of financial distress.

Our assessment of ASPI's SACP at 'bb+' signals our expectation that the company will maintain a solid competitive position, apply an annual tariff increase under the plan approved by the grantor, and continue its swift recovery to pre-pandemic traffic levels, while delivering its capex plan.

Downside scenario: We could take a negative rating action on ASPI if we take a negative rating action on Italy.

The likelihood of a negative rating action on ASPI stemming from a deterioration in our assessment of ASPI's SACP would be limited, in our view, given the high likelihood of extraordinary support. A downgrade to 'BB+' would require a downward revision of ASPI's SACP by two notches to 'bb-'. This could occur if it pursued a more aggressive financial policy than anticipated, resulting in more deeply negative DCF and higher leverage, such that FFO to debt drops below 6%. We do not expect a deterioration of the operating environment to lead to a downgrade of ASPI, considering the regulated-asset-based earnings profile.

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 incoming government moves ahead with the delivery of reforms and continues the path of gradual budgetary consolidation to address the government's high indebtedness.

Although it would not affect the rating, we could revise the SACP upward by one notch to 'bbb-' if we see evidence that dividend distributions and negative DCF are as forecast and the capital structure is commensurate with maintaining FFO to debt solidly above 13%.

Autostrade per l'Italia SpA--Ratings Score Snapshot

	To	From
Issuer credit rating	BBB-/Stable/A-3	BBB-/Positive/A-3
Business risk:	Satisfactory	Satisfactory
Country risk	Moderately high	Moderately high
Industry risk	Low	Low
Competitive position	Satisfactory	Satisfactory
Financial risk:	Significant	Significant
Cash flow/leverage	Significant	Significant
Anchor	bbb-	bbb-
Modifiers:		
Diversification/Portfolio effect	Neutral (no impact)	Neutral (no impact)
Capital structure	Neutral (no impact)	Neutral (no impact)
Financial policy	Neutral (no impact)	Neutral (no impact)
Liquidity	Adequate (no impact)	Adequate (no impact)
Management and governance	Fair (no impact)	Fair (no impact)
Comparable rating analysis	Negative (-1 notch)	Negative (-1 notch)
Stand-alone credit profile:	bb+	bb+
Related government rating	Italy, unsolicited, BBB/Stable/A-2	Italy, unsolicited, BBB/Positive/A-2
Likelihood of government support	High (+1 notch)	High (+1 notch)

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

Related Research

- Italy Outlook Revised To Stable From Positive On Risks To Reforms; Ratings Affirmed, July 26, 2022
- Research Update: Autostrade per l'Italia SpA Upgraded To 'BBB-' Following Completion Of Change Of Control; Outlook Positive, June 7, 2022
- Research Update: Ferrovie dello Stato Italiane Outlook Revised To Positive In Line With Italian Sovereign; 'BBB' Rating Affirmed, Nov. 24, 2021

Ratings List

Outlook Action; Ratings Affirmed

	To	From
Autostrade per l'Italia SpA		
Issuer Credit Rating	BBB-/Stable/A-3	BBB-/Positive/A-3
Senior Unsecured	BBB-	BBB-
Ferrovie dello Stato Italiane		
Issuer Credit Rating	BBB/Stable/--	BBB/Positive/--
Senior Unsecured	BBB	BBB

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