MOODY’S MIGLIORA IL RATING DI ADR A BAA2 (OUTLOOK “NEGATIVE”) DA BAA3 (OUTLOOK “POSITIVE”)

Il 25 ottobre 2022 l’agenzia Moody’s ha rivisto al rialzo il credit rating assegnato ad Aeroporti di Roma, da Baa3 (con outlook “positive”) a Baa2 (con outlook “negative”). L’outlook “negative” riflette i vincoli determinati dal rating attualmente assegnato dall’agenzia alla Repubblica Italiana (Baa3 con outlook “negative”).

In allegato la nota completa pubblicata dall’agenzia di rating.
Rating Action: Moody's upgrades Aeroporti di Roma's ratings to Baa2; outlook negative

25 Oct 2022

Madrid, October 25, 2022 – Moody's Investors Service ("Moody's") has today upgraded to Baa2 from Baa3 the senior unsecured and underlying senior secured ratings and to (P)Baa2 from (P)Baa3 the senior unsecured EMTN programme rating of Aeroporti di Roma S.p.A. (ADR). The outlook has been changed to negative from positive, reflecting the constraint by the sovereign rating.

RATINGS RATIONALE

Today's rating action reflects Moody's expectation that the continued recovery in traffic will allow ADR to improve operating and financial performance with metrics trending towards levels commensurate with a Baa2 rating, namely funds from operations (FFO)/debt ratio in excess of 13%, by year-end 2023.

Following the severe reduction in passenger volumes during 2020-21, traffic on ADR's airports in the first nine months of 2022 continued to steadily increase, recovering almost 65% of 2019 levels. This recovery is sustained by strong pent-up travel demand, the attractiveness of Rome as international tourist destination and the company's traffic profile, which benefits from a high share of domestic and intra-EU passengers (almost 75% of total traffic in 2019). Nevertheless, the recovery has been constrained by the slow ramp-up of operations of the new national carrier, ITA Airways S.p.A., mainly because of its downsized fleet when compared with its predecessor Alitalia.

Moody's anticipates that passenger traffic in Rome airports in 2022 will be around 35% below pre-pandemic levels and volumes will not fully recover at least until 2025. However, ADR entered the coronavirus crisis with a very strong financial profile reflected by a FFO/debt ratio of 28% as of year-end 2019, which was significantly above levels commensurate with its current rating. In fact, ADR's rating has been constrained by that of its parent company Atlantia S.p.A. (Ba1 stable) since 2018, when the Atlantia group was subject to persistent downside risks and political pressures following the collapse of the Polcevera viaduct in Genoa. More recently, in April 2022, Atlantia's rating was upgraded to reflect to removal of such risks after completion of the settlement agreement with the Italian government and the disposal of Autostrade per l'Italia S.p.A.'s (Ba1 positive) stake.

Moody's expects that the strengthening of ADR's credit metrics will be sustained by revenue and cash flow generation but also some gradual deleveraging. Nevertheless, there remain uncertainties around the traffic recovery given currently deteriorating macroeconomic conditions in Europe. In addition, rising inflationary pressures may limit the improvement in ADR's operating profits over the coming years. However, the company has some flexibility to deal with downside scenarios due to its strong liquidity position and ability to reduce capital expenditure and delay the resumption of dividends.

Overall, the Baa2 rating of ADR reflects (1) the strong fundamentals of its airports given Rome's
position as one of Europe’s major capital cities; (2) the resilient traffic profile demonstrated in the past, characterised by a significant traffic component from European countries; (3) the high proportion of origin and destination passengers and traffic inbound, with a significant leisure component; (4) a well-established framework of economic regulation for aviation activities, which should allow the company to recover over the life of the concession the loss in earnings due to the coronavirus impact; and (5) the company’s strong liquidity profile.

On the other hand, the Baa2 rating takes into account (1) the exposure to a newly created carrier, ITA Airways S.p.A., which has started operators only one year ago; (2) the remaining uncertainty around pace of traffic recovery; and (3) ADR’s almost 100% ownership by Atlantia and the lack of full ring-fencing protections, even if the company benefits from some protections included in its debt structure and concession contract that provides for partial delinkage from the wider Atlantia group.

RATIONALE FOR OUTLOOK CHANGE TO NEGATIVE

The negative outlook reflects that ADR’s rating is constrained by the risks associated with the sovereign, the Government of Italy (Baa3 negative), given the company’s exposure to local macroeconomic conditions and regulatory environment.

However, ADR’s rating is positioned one notch above that of the sovereign, reflecting the company’s strategic position as the largest airport group in the country, a large component of international traffic that help moderate earnings volatility and limited reliance on domestic funding sources.

LIQUIDITY AND DEBT COVENANTS

In response to the pandemic, through 2020-21, ADR raised financing from a mix of bank loans and bonds for almost €1.4 billion. Therefore, its liquidity position is excellent. As of June 2022, the company’s sources of liquidity included cash and cash equivalents of around €910 million and a revolving credit facility in an amount of €350 million, currently undrawn, and due in 2027. The next significant debt maturity of €325 million is in February 2023. Overall, Moody’s expects that ADR’s liquidity position and cash flow generation will be sufficient to cover its expenditures and debt service obligations until at least 2024.

ADR’s debt documentation includes two financial covenants – net debt/EBITDA of 4.25x and interest cover ratio of 3x – tested semi-annually on a historical basis. Since July 2020, ADR obtained necessary approvals to waive its financial covenants until and including the test date falling December 2022.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGs

Given the negative outlook, an upgrade of ADR’s rating is currently considered unlikely. The outlook of ADR could be changed to stable if Italy’s outlook were to change to stable, coupled with the company maintaining a strong credit profile, such that FFO/debt remains above 13% on a sustainable basis.

Negative pressure on ADR’s rating could arise following a downgrade of the Government of Italy’s rating. In addition, negative pressures on Atlantia’s credit profile would put downward pressure on the company’s rating. Downward pressure on ADR’s rating could also develop if (1) the company’s financial profile weakens, so that FFO/debt drops materially below 13%; (2) there is an increased risk of extended covenant breaches, without the corresponding remediating actions; or (3) the group’s liquidity profile deteriorates.
PRINCIPAL METHODOLOGY


ADR is the concessionaire for the two airports serving the city of Rome - Fiumicino and Ciampino - which recorded 49.4 million passengers in 2019 and 14.0 million passengers in 2021. ADR operates the two airports under a long-term concession expiring in June 2046. ADR reported EBITDA of approximately €107 million in the first six months of 2022.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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