



SOCIETÀ DI PROGETTO  
BREBEMI SPA

## PRESS RELEASE

### **DBRS RATINGS PLACES SOCIETÀ DI PROGETTO BREBEMI S.P.A.'S RATINGS (BBB-Low, CONFIRMED) UNDER REVIEW WITH NEGATIVE IMPLICATIONS.**

*Brescia, 18 June 2020 – DBRS Ratings has today placed the “BBB (Low)” Issuer Rating of Società di Progetto Brebemi S.p.A. Under Review with Negative Implications. Concurrently, it also placed the “BBB (Low)” ratings of Brebemi’s Senior Secured Loan, Class A1 Notes, Class A2 Notes, and Class A3 Notes Under Review with Negative Implications.*

Issuer and Notes ratings have both been confirmed at “BBB (Low)”.

DBRS Ratings explains that the *Under Review with Negative Implications* status considers the significant headwinds and uncertainties generally facing volume-based public-private partnership projects, such as toll roads, as a result of the Coronavirus Disease (COVID-19) outbreak, and the potential for these conditions to specifically affect Brebemi’s credit profile.

Società di Progetto Brebemi S.p.A. - which has already implemented measures to deal with the Covid-19 emergency - highlights the progressive recovery of traffic volumes starting from May and continued during the month of June and that the current liquidity position is solid and sufficient to cope with the upcoming debt service maturities.

The full text of the rating agency’s announcement is provided below.

#### **Investor Relations**

Alberto Algisi – [alberto.algisi@brebemi.it](mailto:alberto.algisi@brebemi.it); +39 030 2926307

#### **Info stampa:**

Consilium Comunicazione

Andrea Cucchetti – [acucchetti@consiliumcom.it](mailto:acucchetti@consiliumcom.it); +39 349 5554664



SOGGETTA ALLA DIREZIONE E COORDINAMENTO DI AUTOSTRADE LOMBARDE  
SPA

SEDE: VIA SOMALIA, 2/4 - 25126 BRESCIA - TEL. 030 2926311 FAX 030  
2897630

PEC: [SDPBREBEMI@LEGALMAIL.IT](mailto:SDPBREBEMI@LEGALMAIL.IT) – EMAIL: [INFO@BREBEMI.IT](mailto:INFO@BREBEMI.IT)  
CAP. SOC. EURO 51.141.227,00 I.V.- REA N. 455412  
ISCR. REGISTRO IMPRESE DI BRESCIA, C.F. E P.IVA 02508160989



## DBRS Morningstar Places Società di Progetto Brebemi S.p.A.'s BBB (low) Ratings Under Review with Negative Implications

### INFRASTRUCTURE

DBRS Ratings GmbH (DBRS Morningstar) placed the BBB (low) Issuer Rating of Società di Progetto Brebemi S.p.A. (Brebemi or ProjectCo) Under Review with Negative Implications. Concurrently, DBRS Morningstar also placed the BBB (low) ratings of Brebemi's Senior Secured Loan, Class A1 Notes, Class A2 Notes, and Class A3 Notes Under Review with Negative Implications.

### KEY RATING CONSIDERATIONS

The Under Review with Negative Implications status considers the significant headwinds and uncertainties generally facing volume-based public-private partnership projects, such as toll roads, as a result of the Coronavirus Disease (COVID-19) outbreak, and the potential for these conditions to specifically affect Brebemi's credit profile.

The Under Review with Negative Implications status reflects DBRS Morningstar's view that a downgrade is possible because of: (1) the likely breach of financial covenants in December 2020 and June 2021, (2) the deterioration of DBRS Morningstar's key financial metrics across the forecast horizon, and (3) the reduced headroom because of the change of trend to Negative on the Republic of Italy's rating.

The Under Review with Negative Implications status also reflects DBRS Morningstar's belief that a downgrade could be avoided if the ProjectCo undertakes all the due remedial actions in order to avoid a potential event of default by means of negotiating a financial covenants holiday/waiver with its lenders and investors, and restores its key financial metrics to a level commensurate with the current rating category through a rebalancing of its economic and financial conditions or alternative measures having a similar outcome.

### Macroeconomic Environment and Traffic Volumes

Italy, one of the countries hardest hit by the coronavirus pandemic in Europe, was also one of the first countries to impose strict lockdown measures on 9 March 2020 in order to slow down the spread of the disease. Shelter-in-place orders, mandating people to stay at home and isolate themselves except for certain indispensable activities, and the closure of all nonessential business activities have materially affected both passenger and – to a lesser extent – commercial traffic, as essential goods and services continued to be mobilised. On a year-on-year comparison basis, since the start of the lockdown measures, Brebemi reported a severe decrease in light vehicle traffic of 75.3% in March, 89.4% in April, and 62.9% in May 2020, and a material decrease in heavy vehicles traffic – which is more resilient – of 26.7% in March, 45.3% in April, and 24.6% in May 2020. The easing of the lockdown measures since the beginning of May has coincided with an improvement in the overall traffic along the A35.

On 1 June 2020, DBRS Morningstar published a set of updated macroeconomic scenarios for select economies, including Italy. Italian GDP growth is now expected to contract by 7.5% in 2020 and rebound by 5.0% in 2021 and by 1.5% in 2022; the Italian unemployment rate is now expected to increase to 12.0% in 2020 and to 13.0% in 2021, and then slightly reduce again to 12.0%

in 2022.

Against this backdrop, under DBRS Morningstar's Revised Rating Case scenario, DBRS Morningstar is assuming that it will take approximately two years for light vehicle traffic and approximately six months for heavy vehicle traffic along the A35 to go back to normal trends. In particular, DBRS Morningstar is assuming total traffic volumes on the A35 to decrease by approximately 30% in 2020, with a reduction on year-on-year revenues of about 22.5-25.0%. DBRS Morningstar is also assuming total traffic volumes to rebound in 2021. Overall, DBRS Morningstar expects a delay in the ramp-up period, which was originally expected to be completed in 2021.

#### Likely Breach of Financial Covenants in December 2020 and June 2021

As per ProjectCo's finance documents, an event of default will occur if, amongst others, the historical/projected debt service coverage ratio (DSCR) is less than or equal to 1.05x in respect of the most recent interest payment date. Based on its Revised Rating Case scenario, DBRS Morningstar considers likely that – in the absence of timely remedial actions – the ProjectCo's DSCR will fall below its default ratio level in December 2020 and June 2021. DBRS Morningstar notes that, as of 30 April 2020, Brebemi had approximately EUR 67.5 million of unencumbered cash and cash equivalents (of which EUR 0.8 million at toll stations) and approximately EUR 44.6 million of funded nine-month debt service reserve account. The ProjectCo's current liquidity position is considered to be solid and sufficient to cover debt servicing until June 2021.

#### Deterioration of DBRS Morningstar's Key Financial Metrics across the Forecast Horizon

To address the risks pertaining to the fundamental volatility of the A35 being used, the minimum DSCR across the forecast horizon calculated under the DBRS Morningstar Revised Rating Case forms the primary financial metric in DBRS Morningstar's analysis, as Brebemi's revenue generation is predominantly dependent on the willingness and ability of the users to pay, but less reliant on simply maintaining the facility to specifications. Excluding the expected DSCR levels in December 2020 and June 2021, the minimum DSCR across the forecast horizon has materially decreased to 1.31x from 1.40 with respect to DBRS Morningstar's last year assessment, thus resulting in the financial risk assessment score being penalised.

In addition, the A35 is considered to be a premature asset with full ramp-up now expected to be delayed from the original 2021 target. For premature projects, DBRS Morningstar calculates the revenue breakeven resilience, which is typically expected to be at least 20% to 40%. This represents the maximum level of revenue decline in any year that a project can sustain without breaching the DSCR at the default level. Under DBRS Morningstar's Revised Rating Case, DBRS Morningstar is considering likely that the ProjectCo will fail to meet such levels, thus also resulting in the financial risk assessment score being penalised.

#### Reduced Headroom due to the Change of Trend to Negative on the Republic of Italy's Rating

On 8 May 2020, DBRS Morningstar confirmed the Republic of Italy's Long-Term Foreign Issuer Rating at BBB (high), but revised the trend to Negative from Stable. The negative trend reflects the considerable uncertainty over the economic repercussions from the impact of the coronavirus pandemic in an already weak economic environment.

The current rating on the Republic of Italy is two notches higher than the assigned ratings for Brebemi and its outstanding debt. DBRS Morningstar notes that the sovereign rating could become a limiting factor in various ways: (1) in the event that the concession is not re-awarded to ProjectCo at the expiration of the Concession Agreement, repayment of the Class A3 Notes will be reliant on receipt of a termination amount from either the Grantor – whose credit quality is ultimately linked to the credit quality of the Republic of Italy – or a new entity replacing ProjectCo; (2) ProjectCo is receiving and will continue to receive public grants amounting to EUR 20 million per year until 2029; (3) the creditworthiness of the sovereign negatively affects the average credit quality of the financing counterparties, currently in the BBB range; (4) the soundness of the rebalancing mechanism could be

affected by a weakening in the sovereign risk. Although some of these weaknesses are already factored into Brebemi's ratings, further negative actions on the Republic of Italy's ratings could ultimately add pressure on the project creditworthiness.

#### Brebemi's Potential Remedial Actions

DBRS Morningstar considers likely that Brebemi's DSCR will fall below its default ratio of 1.05 in December 2020 and June 2021. DBRS Morningstar also considers likely that Brebemi will ask its lenders and investors to continue testing financial covenants but secure a waiver of breaches on certain test dates or proposing not to test the financial covenants for certain test dates, thus avoiding a potential Event of Default in December 2020 and June 2021. Pursuant to the finance documents, a financial ratio breach could also be cured through the provision of additional equity – Equity Cure – by one or more of Brebemi's shareholders.

The rebalancing mechanism in the Concession Agreement is a favourable structural feature ensuring that, upon the occurrence of certain events, the economic and financial balance of the Piano Economico Finanziario (PEF or the Economic and Financial Plan) is restored to set levels. The PEF is updated at the end of each regulatory period (i.e., the five-year period of the PEF's effectiveness; the next regulatory period starts in 2021). A revision of the PEF is also undertaken in the context of a new investment programme or on the occurrence of extraordinary events – such as the coronavirus pandemic – altering the PEF's economic and financial balance. The rebalancing may occur through (1) an extension of the concession term, (2) a tariff increase, (3) a public grant, (4) an increase in the termination amount, or (5) a combination of these.

While discussing potential remedial actions with the grantor of the concession, the ProjectCo is currently seeking to anticipate EUR 20 million of public grants to be received in 2029 to 2020-2021 or alternatively proceed with a pro soluto assignment of the public grants due in 2029. With regard to this, no formal decision has been taken.

The main costs incurred by the ProjectCo are related to the Operation & Maintenance contract signed with Argentea Gestioni S.C.p.A. The operator's responsibilities include the management and operation of the asset, ordinary maintenance and heavy maintenance. The ProjectCo is currently negotiating the rescheduling of payments during 2020 that could potentially have a positive EUR 3-4 million impact on the cash flow available for debt service.

DBRS Morningstar will assess any remedial actions and their impact on the creditworthiness of the project on a case-by-case basis.

#### RATING DRIVERS

The Under Review with Negative Implications status generally reflects DBRS Morningstar's belief that a downgrade is possible. However, as situations and potential rating implications may vary, the final rating determination may change from the initial assessment.

On one side, Brebemi's inability to cure a financial ratio breach or to negotiate a financial covenant holiday or waiver with its investors and lenders could lead to a multi-notch downgrade. On the other side, the timely and sufficient reception of extraordinary support from its shareholders or through the rebalancing mechanism or alternative measures agreed with the Grantor could potentially restore the ProjectCo's key financial metrics to a level commensurate with the current rating category.

The Under Review with Negative Implications status is generally resolved with a rating action within three months. However, if heightened market uncertainty and volatility persists, DBRS Morningstar may extend the Under Review status for a longer period of time.

#### RATING RATIONALE

Brebemi is the concessionaire of the A35, an operational 62.1 kilometre toll road named after the three Italian provinces it crosses: Brescia, Bergamo, and Milan.

Brebemi's ratings are supported by: (1) the strong economic fundamentals of the service area, (2) the sound contractual and regulatory framework, (3) the low service complexity and performance standard risk, (4) the minimum DSCR supporting the credit profile, and (5) an experienced management team. Brebemi's ratings are constrained by: (1) the traffic volume forecasting risk, (2) the country risk, (3) the regulatory risk, (4) revenue breakeven resiliency near the bottom of the range specified by DBRS Morningstar's methodology, and (5) reduction of or delay in the receipt of the termination amount and associated refinancing risk.

## ESG CONSIDERATIONS

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework and its methodologies can be found at: <https://www.dbrsmorningstar.com/research/357792>.

Notes:

All figures are in euros unless otherwise noted.

The principal applicable methodology is the Rating Public-Private Partnership (23 August 2019). This can be found can be found at: <http://www.dbrsmorningstar.com/about/methodologies>.

The primary sources of information used for these ratings include traffic volumes as of 31 May 2020 and regular discussions held with the company as of today. DBRS Morningstar considers the information available to it for the purposes of providing these rating to be of satisfactory quality.

DBRS Morningstar does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance.

Generally, the conditions that lead to the assignment of a Negative or Positive trend are resolved within a 12-month period. DBRS Morningstar trends and ratings are under regular surveillance.

This rating is under review. Generally, the conditions that lead to the assignment of reviews are resolved within a 90-day period. DBRS Morningstar reviews and ratings are under regular surveillance.

For further information on DBRS Morningstar historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: <http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

The sensitivity analysis of the relevant key rating assumptions can be found at: <https://www.dbrsmorningstar.com/research/362754>.

Ratings assigned by DBRS Ratings GmbH are subject to EU and U.S. regulations only.

Lead Analyst: Giuseppe Frest, Vice President, Global Corporates

Rating Committee Chair: Andrew Lin, Managing Director, Global Corporates

Initial Rating Date: 7 October 2019

Last Rating Date: Not applicable as there is no last rating date.

DBRS Ratings GmbH, Sucursal en España  
Calle del Pinar, 5  
28006 Madrid  
Spain  
Tel. +34 (91) 903 6500

DBRS Ratings GmbH  
Neue Mainzer Straße 75  
60311 Frankfurt am Main Deutschland  
Tel. +49 (69) 8088 3500  
Geschäftsführer: Detlef Scholz  
Amtsgericht Frankfurt am Main, HRB 110259

Rating Public-Private Partnerships (23 August 2019)

<https://www.dbrsmorningstar.com/research/349601/rating-public-private-partnerships>.

Information regarding DBRS Morningstar ratings, including definitions, policies, and methodologies, is available on [www.dbrsmorningstar.com](http://www.dbrsmorningstar.com).

## Ratings

### Società di Progetto Brebemi S.p.A.

Date Issued	Debt Rated	Action	Rating	Trend	Issued
18-Jun-20	Issuer Rating	UR-Neg.	BBB (low)	--	
18-Jun-20	EUR 15.0 million Senior Secured Amortising Floating-Rate Notes (Class A1 Notes)	UR-Neg.	BBB (low)	--	
18-Jun-20	EUR 307.0 million Senior Secured Loan	UR-Neg.	BBB (low)	--	
18-Jun-20	EUR 558.0 million Senior Secured Zero-Coupon Notes (Class A3 Notes)	UR-Neg.	BBB (low)	--	
18-Jun-20	EUR 934.0 million Senior Secured Amortising Fixed-Rate Notes (Class A2 Notes)	UR-Neg.	BBB (low)	--	

ALL DBRS RATINGS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE [DISCLAIMERS AND LIMITATIONS](#). ADDITIONAL INFORMATION REGARDING DBRS RATINGS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE AVAILABLE ON [WWW.DBRS.COM](http://WWW.DBRS.COM).

## Contacts

### Giuseppe Fresta

*Vice President - Global Corporates*

+34 91 903 6526

[giuseppe.fresta@dbrsmorningstar.com](mailto:giuseppe.fresta@dbrsmorningstar.com)

**Suneil Ramesh**

*Vice President, Infrastructure, Power & Utilities - Global Corporates*

+1 416 597 7366

[suneil.ramesh@dbrsmorningstar.com](mailto:suneil.ramesh@dbrsmorningstar.com)

The DBRS group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings GmbH (Frankfurt, Germany)(CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings Limited (England and Wales)(CRA, NRSRO affiliate, DRO affiliate). Morningstar Credit Ratings, LLC is a NRSRO affiliate of DBRS, Inc. For more information on regulatory registrations, recognitions and approvals of DBRS group of companies and Morningstar Credit Ratings, LLC, please see: <http://www.dbrsmorningstar.com/research/highlights.pdf>.

The DBRS group and Morningstar Credit Ratings, LLC are wholly-owned subsidiaries of Morningstar, Inc.© 2020 Morningstar. All Rights Reserved.

The information upon which DBRS ratings and other types of credit opinions and reports are based is obtained by DBRS from sources DBRS believes to be reliable. DBRS does not audit the information it receives in connection with the analytical process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS ratings, other types of credit opinions, reports and any other information provided by DBRS are provided "as is" and without representation or warranty of any kind. DBRS hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall DBRS or its directors, officers, employees, independent contractors, agents and representatives (collectively, DBRS Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting therefrom, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of ratings and rating reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of DBRS or any DBRS Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. No DBRS entity is an investment advisor. DBRS does not provide investment, financial or other advice. Ratings, other types of credit opinions, other analysis and research issued or published by DBRS are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness, investment, financial or other advice or recommendations to purchase, sell or hold any securities. A report with respect to a DBRS rating or other credit opinion is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. DBRS may receive compensation for its ratings and other credit opinions from, among others, issuers, insurers, guarantors and/or underwriters of debt securities. DBRS is not responsible for the content or operation of third party websites accessed through hypertext or other computer links and DBRS shall have no liability to any person or entity for the use of such third party websites. This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of DBRS. ALL DBRS RATINGS AND OTHER TYPES OF CREDIT OPINIONS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE DISCLAIMERS AND LIMITATIONS AT <http://www.dbrsmorningstar.com/about/disclaimer>. ADDITIONAL INFORMATION REGARDING DBRS RATINGS AND OTHER TYPES OF CREDIT OPINIONS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE AVAILABLE ON <http://www.dbrsmorningstar.com>.