

## **PRESS RELEASE**

### **DBRS MORNINGSTAR CHANGED TREND ON SOCIETÀ DI PROGETTO BREBEMI S.P.A. TO STABLE FROM NEGATIVE**

#### **CONFIRMED THE RATING AT "BB (High)".**

*Brescia, 14 August 2024* – DBRS Morningstar announced yesterday, Società di Progetto Brebemi S.p.A.'s Trend changed to Stable from Negative.

Issuer Rating as well as the ratings on its Senior Secured Loan, Class A1 Notes, Class A2 Notes, and Class A3 Notes has been confirmed at "BB (High)".

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

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## Morningstar DBRS Changes Trend on Società di Progetto Brebemi S.p.A. to Stable from Negative

### INFRASTRUCTURE

DBRS Ratings GmbH (Morningstar DBRS) changed the trend on Società di Progetto Brebemi S.p.A.'s (Brebemi or ProjectCo) credit ratings to Stable from Negative. Ratings have been unchanged at BB (High) for the Issuer Rating as well as the credit ratings on its EUR 307.0 million Senior Secured Loan, EUR 15.0 million Senior Secured Amortising Floating-Rate Notes (Class A1 Notes), EUR 934.0 million Senior Secured Amortising Fixed-Rate Notes (Class A2 Notes), and EUR 558.0 million Senior Secured Zero-Coupon Notes (Class A3 Notes). The recovery rating on all debt instruments is also unchanged at RR2. Morningstar DBRS will update the credit ratings through ongoing annual reviews, or as needed.

### KEY CREDIT RATING CONSIDERATIONS

Starting from 8 August 2024, tariffs along the A35 Brebemi motorway have increased by 12.11%, both for light and heavy vehicles as a compensation for the 2022–23 lost tariff increases given the frozen tariffs for those years. This increase is the result of the Interministerial Decree issued on 2 August 2024 by the Minister of Infrastructure and Transport in agreement with the Minister of Economy and Finance. The Interministerial Decree was issued in execution of the Lazio Regional Administrative Court rulings, which upheld the appeals filed by Brebemi in relation to the lack of tariff increases for the years 2022 and 2023.

In Morningstar DBRS' view, this resolution removes part of the uncertainty regarding the current regulatory period tariff setting, which is still unapproved, and 2022–23 tariff recoveries, which were flagged in Morningstar DBRS' previous annual review in June 2024 that explained the previously Negative trend.

As of July 2024, total traffic ramp-up has continued. Traffic has increased by 4.8% year to date compared with 2023, with an increase in both heavy vehicles (up by 5.3%) and light vehicles (up by 4.6%). Favourable traffic performance is also partly explained by the fact that Brebemi is still in the ramp-up stage.

These better-than-expected volumes, together with the higher-than-expected 12.11% tariff increases, have improved key financial metrics to be commensurate with ProjectCo's current credit rating level. The minimum debt service coverage ratio (DSCR) under Morningstar DBRS' base case from 2024 onward is now 1.25 times (x); in 2023, historical DSCR was 1.28x, above lock-up of 1.25x, and forward-looking DSCR was 1.27x. Breakeven resilience is now 11%, which Morningstar DBRS still considers to be low and supportive of the current credit ratings as it is well below the 20% to 40% level required for a project still in the ramp-up phase.

### CREDIT RATING DRIVERS

A sustained improvement in traffic volumes that drives metrics to pre-pandemic levels, particularly the minimum DSCR across the forecast horizon to above 1.30x and a stronger breakeven on revenue of not lower than 20%, could lead to a positive credit rating action under Morningstar DBRS' base case.

On the other hand, further deterioration in traffic to levels lower than currently expected could lead to a negative credit rating action. Also, continuation of uncertainty on tariff setting or tariff setting that is worse than expected could lead to a negative credit rating

action.

## EARNINGS OUTLOOK

Based on its base case, Morningstar DBRS assumes continuation of traffic ramp-up with good performance in the next years. Morningstar DBRS has now changed its assumption on tariffs during the current regulatory period to include the higher tariffs in 2024, and Morningstar DBRS expects tariffs to only increase with inflation in 2025–26. Also, Morningstar DBRS assumes that tariffs for the next regulatory period after 2026 will be in line with management's forecast but recognises existing uncertainty, given that so far little support has been shown by the authorities during the current regulatory period and regarding the approval of the current Economic and Financial Plan (PEF).

## FINANCIAL OUTLOOK

Based on its base case, Morningstar DBRS expects DSCR metrics to be at a minimum of 1.25x in December 2024 and to remain below 1.30x until December 2026, one year earlier than its previous expectations. Morningstar DBRS expects metrics to improve thereafter because it assumes there will be an improvement in tariffs in the next regulatory period. A weaker-than-expected tariff setting could have a negative credit rating impact.

## CREDIT RATING RATIONALE

Brebemi's credit ratings are supported by the (1) strong economic fundamentals of the service area located in one of the wealthiest and most industrialised areas in Italy and Europe, (2) low service complexity and performance standard risk, (3) new toll road with limited amount of capital expending needed, and (4) experienced management team. Brebemi's credit ratings are constrained by (1) the traffic volume forecasting risk, (2) the current limited ability to increase tariffs, (3) a loose contractual framework that allows for regulatory risk interventions, (4) weak revenue breakeven resiliency below the bottom of the range specified by Morningstar DBRS' methodology, and (5) the reduction of or delay in receiving the termination amount and associated refinancing risk.

## New Regulatory Period and Potential Rebalancing of the PEF

Negotiations on toll tariff increases and other amendments to the PEF have continued amongst the Grantor, Brebemi, and the Authorities. Negotiations and discussions have been ongoing since 2021, with little visibility yet on resolution.

## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CONSIDERATIONS

There were no Environmental/Social/Governance factors that had a significant or relevant effect on the credit analysis.

A description of how Morningstar DBRS considers ESG factors within the Morningstar DBRS analytical framework can be found in the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings (23 January 2024) at <https://dbrs.morningstar.com/research/427030>.

## RATING DRIVER AND FINANCIAL RISK ASSESSMENT (FRA)

### (A) Weighting of Rating Drivers

In the analysis of Brebemi, the Rating Driver factors listed in Part Two—Rating Volume-Based PPPs of the methodology are considered in the order of importance.

### (B) Weighting of FRA Factors

In the analysis of Brebemi, the following FRA factor was considered more important: the minimum DSCR.

### (C) Weighting of the Rating Drivers and the FRA

In the analysis of Brebemi, the FRA carries greater weight than the Rating Drivers.

Notes:

All figures are in euros unless otherwise noted.

Morningstar DBRS applied the following principal methodology:

-- Global Methodology for Rating Public-Private Partnerships (28 June 2024), <https://dbrs.morningstar.com/research/435169>

The following methodology has also been applied:

Morningstar DBRS Global Corporate Criteria (15 April 2024) <https://dbrs.morningstar.com/research/431186>

The credit rating methodologies used in the analysis of this transaction can be found at: <https://dbrs.morningstar.com/about/methodologies>.

A description of how Morningstar DBRS analyses corporate finance transactions and how the methodologies are collectively applied can be found at: <https://dbrs.morningstar.com/research/431153>.

The primary sources of information used for these credit ratings include annual reports and financial statements, investor presentations and monthly traffic updates, management projections, budgets, and management meetings, as well as the press release Adegumento tariffario 2024. Morningstar DBRS considers the information available to it for the purposes of providing these credit ratings to be of satisfactory quality.

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

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

For further information on Morningstar DBRS historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: <https://registers.esma.europa.eu/cerep>- publication. For further information on Morningstar DBRS historical default rates published by the Financial Conduct Authority (FCA) in a central repository, see <https://data.fca.org.uk/#/ceres/craStats>.

The sensitivity analysis of the relevant key credit rating assumptions can be found at: <https://dbrs.morningstar.com/research/437815>.

Lead Analyst: Ana Relanzon, Vice President

Rating Committee Chair: Arthi Sambasivan, Managing Director Initial Rating Date: 7 October 2019

Last Rating Date: 11 June 2024

Information regarding Morningstar DBRS credit ratings, including definitions, policies, and methodologies, is available on [dbrs.morningstar.com](https://dbrs.morningstar.com) or contact us at [info-DBRS@morningstar.com](mailto:info-DBRS@morningstar.com).

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## Ratings

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

| Date Issued | Debt Rated  | Action       | Rating    | Trend | Recovery Rating | Attributes         |
|-------------|---|--------------|-----------|-------|-----------------|--------------------|
| 13-Aug-24   | Issuer Rating   | Trend Change | BB (high) | Stb   |                 | <b>EU</b> <b>U</b> |
| 13-Aug-24   | EUR 15.0 million Senior Secured Amortising Floating-Rate Notes (Class A1 Notes) | Trend Change | BB (high) | Stb   | RR2             | <b>EU</b> <b>U</b> |
| 13-Aug-24   | EUR 307.0 million Senior Secured Loan   | Trend Change | BB (high) | Stb   | RR2             | <b>EU</b> <b>U</b> |
| 13-Aug-24   | EUR 558.0 million Senior Secured Zero-Coupon Notes (Class A3 Notes)             | Trend Change | BB (high) | Stb   | RR2             | <b>EU</b> <b>U</b> |
| 13-Aug-24   | EUR 934.0 million Senior Secured Amortising Fixed-Rate Notes (Class A2 Notes)   | Trend Change | BB (high) | Stb   | RR2             | <b>EU</b> <b>U</b> |

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