A35 Brebemi
ALEATICA

COMUNICATO STAMPA

FITCH RATINGS RIVEDE AL RIALZO IL RATING DI SOCIETA' DI PROGETTO BREBEMI S.P.A. A "BBB-" OUTLOOK RIVISTO A "STABLE"

Brescia, 5 dicembre 2024 – Fitch Ratings ha comunicato che il rating sul debito "senior secured" di Società di Progetto Brebemi S.p.A. è stato elevato al livello "BBB-" e rivisto l'Outlook da "Negative" a "Stable".

Si riporta di seguito il testo integrale del comunicato dell'agenzia di rating.

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04 DEC 2024

Fitch Upgrades Brebemi's Notes to 'BBB-'; Outlook Stable

Fitch Ratings - Milan - 04 Dec 2024: Fitch Ratings has upgraded Societa di Progetto Brebemi S.p.A.'s (Brebemi) senior secured notes to 'BBB-' from 'BB+'. The Outlook is Stable. A full list of rating actions is below.

RATING RATIONALE

The upgrade and Stable Outlook reflect the material improvement in Brebemi's financial and qualitative profile. This was mainly driven by the 12.11% tariff increase implemented through an inter-ministerial decree in August 2024 to compensate the 2022-2023 tariff freeze. This underpins the supportiveness of the legal regulatory framework.

The tariff increase resulted in a material improvement in the senior debt service coverage ratio (DSCR) to above 1.4x by 2026 as per the revised Fitch rating case, which still does not factor in the potential seven-year concession extension, from below 1.3x at the last annual review. Fitch views the current financial profile as commensurate with a 'BBB-' rating.

KEY RATING DRIVERS

Rating Approach Class A3 Rating

The repayment of the class A3 zero coupon notes relies on Concessioni Autostradali Lombarde's (CAL) obligation to pay the terminal value (TV) in a timely manner by their legal maturity (2042). CAL is contractually bound to pay the TV by 2042 under the current concession framework. The credit assessment of CAL's obligation to pay the TV is notched down from Fitch's internal assessment of the Region of Lombardy. A cash sweep mechanism caps class A3 accretion at EUR760 million, but the TV payment from CAL remains the sole pledged funding source for the full repayment of these notes at maturity.

A new proposed regulatory financial plan envisages extension of the concession agreement to December 2046, which would delay the payment of the TV. The class A3 notes may be amended to reflect this extension. Otherwise, the notes may be refinanced at their maturity. Refinancing risk would be mitigated by the material cash flow generation during the extended years as reflected by the strong project life coverage ratio above 4x at the potential refinancing date. The rating would be unchanged due to the cross-default provisions with the class A1/A2 notes in the debt documentation.

Favourable Location, Limited History - Revenue Risk (Volume): Midrange

Brebemi links the wealthy and densely populated Milan and Brescia areas. The road opened to traffic in 2014 but remains in ramp-up due to the pandemic impact and delayed opening of connecting roads. We expect ramp-up to continue until 2027. Brebemi has a balanced user profile of commuters and heavy vehicles.

Toll rates are relatively high on a euro/km basis compared with the competing A4 motorway, but only moderately higher for a full trip. Large future annual tariff increases on Brebemi could lead to lower traffic, despite the economic strength of the Lombardy region and its familiarity with tolling.

Revenue Risk - Volume - Midrange

Regulatory Asset Base-Based Pricing - Revenue Risk (Price): Midrange

The price-cap mechanism allows a fair return (weighted average cost of capital; WACC) on the asset base and recovery of operating costs and depreciation of assets, resulting in a residual TV at concession maturity. The regulatory framework has been supportive so far, providing favourable contractual rebalancings, which included public grants, robust tariff increases, extension of concession tenor and a TV payment at maturity to preserve the contractual WACC.

Revenue Risk - Price - Midrange

New Road, Minimal Maintenance Needs - Infrastructure Development and Renewal: Stronger

Brebemi is a new asset, with minimal infrastructure renewal needs expected over the concession's life. The fixed-price operations & maintenance agreement covers a modest capex component, which is expected to be sufficient. No heavy maintenance capex is currently envisaged in the concession. We expect any additional capex would be eligible for remuneration, based on guidelines set by the transport authority (ART) in an updated business plan.

Infrastructure Dev. & Renewal - Stronger

Fully Amortising, Adequate Protections - Debt Structure (Class A1/A2): Stronger

The debt structure comprises around EUR1.9 billion senior debt. Senior amortising debt (EUR1.25 billion split into a bank loan, the class A1 and A2 notes and a restructured swap) is fully amortising and hedged to almost 100% fixed rate, with adequate protections (robust forward-and-backward looking lock-up and no re-leverage undertakings). However, Brebemi only has a six-month debt service reserve account and a back-ended repayment profile.

The class A3 notes (EUR0.65 billion) partially rely on project cash flows via a two-phase cash sweep mechanism, but their full repayment currently depends on the timely payment of the TV by a new concessionaire or in case of delay by the grantor. The class A3 notes rank pari passu with the senior amortising debt and have no unilateral enforcement action until 2040 when non-payment of interest becomes an event of default.

Debt Structure - 1 - Stronger

Financial Profile

Under the Fitch rating case, the senior debt DSCR exceeds 1.4x by 2026 and continues sustainably increasing, averaging around 1.5x during 2025-2030. We expect traffic ramp-up to end by 2027 in combination with a mid-single digit tariff growth, as per regulatory guidance. Beyond 2030, the DSCR trends above 1.8x, providing a material cushion against potential cash flow volatility.

PEER GROUP

Brebemi is comparable with Salerno Pompei Napoli S.p.A. (SPN; BBB/Stable), North Carolina Turnpike Authority (NCTA; BBB+/Stable) and a number of other privately-rated toll roads.

SPN and Brebemi have a similar regulatory asset base-based concession framework but different catchment areas. Notably, SPN's traffic profile is well-established in a very densely populated area, while Brebemi is still in ramp-up and exposed to competition. However, Brebemi has minimal capex requirements, compared with SPN, which needs to undertake some capex up to 2030. Both projects' debt structures are fully amortising and strongly covenanted, supporting their 'Stronger' assessments. The current average DSCR for SPN is around 1.5x (minimum of 1.3x) while Brebemi's DSCR remains below 1.4x until 2026 but materially increases thereafter.

Like Brebemi, NCTA provides peak period time savings for commuters in a well-developed roadway network in a wealthy and industrialised catchment area, with competition from larger nearby facilities. NCTA had a successful ramp-up phase with growth continually exceeding sponsor expectations, despite being in an area with low familiarity with toll roads. NCTA further benefits from a backstop from the State of North Carolina to cover operating expenses if revenues are insufficient, creating a gross pledge of revenues for debt. NCTA's current mandatory average DSCR of 1.5x through 2027 is limited by the completion of an extension of the asset. Lifetime scheduled DSCRs under the rating case average 2.0x.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/ Downgrade

A senior DSCR consistently below 1.4x in the Fitch rating case.

Before the implementation of the ongoing rebalancing process, we view the grantor's obligation to pay the TV as ranking below the Region of Lombardy's direct debt and the class A3 notes' rating could move in tandem with Fitch's internal assessment of the Region of Lombardy. A change in the assessment of CAL's credit linkage with the Region of Lombardy could also widen the notching.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

A senior DSCR consistently above 1.5x in the Fitch rating case.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Societa di Progetto Brebemi			

ENTITY/DEBT	RATING			RECOVERY	PRIOR
S.p.A.					
• Societa di Progetto Brebemi S.p.A./Toll Revenues - Senior Secured Debt/ 1 LT	LT	BBB-	Upgrade		BB+
• Societa di Progetto Brebemi S.p.A./Toll Revenues - Senior Secured Note/ 1 LT	LT	BBB-	Upgrade		BB+

RATINGS KEY	OUTLOOK	WATCH
POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

Infrastructure & Project Finance Rating Criteria (pub.17 May 2023) (including rating assumption sensitivity)

Transportation Infrastructure Rating Criteria (pub.18 Dec 2023) (including rating assumption sensitivity)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Third-party Model, v (17 May 2023)

Additional Disclosures

Solicitation Status

Endorsement Status

Societa di Progetto Brebemi S.p.A.	EU Issued, UK Endorsed

DISCLAIMER & DISCLOSURES

summary page for this issuer on the Fitch Ratings website.

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch's website.

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