

## **AZZURRA AEROPORTI S.p.A.**

**Moody's changes outlook on Azzurra Aeroporti and Aéroports de la Côte d'Azur to stable; Ba1 / Baa2 ratings affirmed**

**Rome, 2 November 2022** – The rating agency Moody's has today changed the outlook on Azzurra Aeroporti S.p.A. (Azzurra) and Aéroports de la Côte d'Azur (ACA) from negative to stable. Concurrently, Azzurra's Ba1 corporate family rating (CFR), Ba2-PD probability of default rating and Ba1 senior secured rating have been affirmed, as has ACA's Baa2 issuer rating.

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



## Rating Action: Moody's changes outlook on Azzurra and ACA to stable; Ba1 / Baa2 ratings affirmed

---

02 Nov 2022

Madrid, November 02, 2022 – Moody's Investors Service (Moody's) has today changed the outlook on Azzurra Aeroporti S.p.A. (Azzurra) and Aéroports de la Côte d'Azur (ACA) to stable from negative. Concurrently, Azzurra's Ba1 long-term corporate family rating (CFR), Ba2-PD probability of default rating and Ba1 senior secured ratings have been affirmed, as has ACA's Baa2 long-term issuer rating and Baa2 senior unsecured ratings.

### RATINGS RATIONALE

Today's rating action reflects Moody's expectation that the continued recovery in traffic will allow Azzurra group to improve operating and financial performance with metrics trending towards levels commensurate with the current Ba1 CFR, namely a funds from operations (FFO)/debt ratio above 8%. It also reflects the recent approval of a 4.4% average tariff increase for 2023 (effective from November 2022) by the Transport Regulatory Authority (ART), which will allow ACA to partially mitigate the expected increase in costs due to high inflation and rising energy prices. In addition, the stable outlook incorporates Moody's expectation that the group will continue to implement measures aimed at restoring its financial profile and maintaining a solid liquidity position.

Following the severe reduction in passenger volumes during 2020-21, traffic at Nice airport continued to rebound in the first nine months of 2022, recovering to around 82% of the 2019 level, which is above the average traffic recovery registered for European airports. This is sustained by strong pent-up travel demand, the attractiveness of Nice as a prime tourist destination in Europe and the airport's traffic profile, which benefits from a high share of domestic and EU passengers (82% of total traffic in 2019).

Moody's anticipates that ACA's passenger traffic will be around 18% below pre-pandemic levels in 2022 and volumes will fully recover by around 2024. Nevertheless, there remain uncertainties about the traffic recovery given deteriorating macroeconomic conditions in Europe. In addition, rising inflationary pressures may limit the improvement in ACA's operating profit over the coming years. Overall, at the Azzurra level there is limited flexibility to deal with downside scenarios given its highly leveraged profile and the requirement to reduce consolidated leverage to meet financial covenants, such that net debt/EBITDA should be below 7.5x by year-end 2023. Nevertheless, the credit profile of Azzurra is also underpinned by Moody's expectation that shareholders will provide adequate and timely support to the group to cure any potential covenant breach.

The strengthening of Azzurra's credit metrics will be assisted by revenue and cash flow generation because debt levels are not expected to decrease over the coming years given ACA's investment programme. This improvement will also be supported by the 4.4% average annual tariff increase that ACA has recently obtained and will be effective from November this year. Although this increase was deemed in line with the principle of moderation embedded in the regulatory framework, ART noted in its decision that the return on invested capital on ACA's

regulated perimeter is still negative for the year. Moody's expects that ACA will be able to increase tariffs in the range of 3%-5% per annum, in order to restore its profitability to pre-coronavirus levels over the next three to five years.

Overall, the current Ba1 rating of Azzurra reflects (1) the strong business profile of Nice airport as an important gateway to CÃte d'Azur, with limited competition for air travel; (2) the high proportion of origin and destination passengers and diversified carrier base; (3) a significant proportion of leisure traffic and short-haul flights, predominantly domestic and from other European countries; (4) an expectation of a reduction in the group's leverage to the levels commensurate with the current rating by year-end 2024; and (5) an absence of interest rate risk as most of the group's debt is fixed-rate. The senior secured rating of Azzurra further takes account of the features of the debt documentation, which limits Azzurra's ability to upstream cash to its shareholders subject to leverage tests, providing for some de-linkage from the credit quality of Atlantia S.p.A. (Ba1 stable), the majority shareholder of Azzurra. These strengths are partially offset by (1) the significant leverage at the Azzurra level and limited headroom to the Azzurra debt default covenants; and (2) a significant presence of minority shareholders at ACA, which creates cash leakage from the group.

The current Baa2 issuer rating of ACA reflects its stronger underlying financial profile with a limited amount of debt at the ACA level, ACA's closer proximity to the group's cash flows compared to Azzurra, and Moody's expectation that ACA's shareholders will continue to allow a prudent financial policy and will target the strengthening of the business over the long term. However, ACA's rating is constrained by the overall credit quality of the Azzurra group, given absence of specific creditor protection features that would fully isolate ACA from the wider group.

A CFR is an opinion on the expected loss associated with the debt obligations of a group of companies assuming that it had one single class of debt and is a single consolidated legal entity. The CFR assigned to Azzurra consolidates the legal and financial obligations of the group and reflects the structural features of Azzurra's debt structure. Azzurra's probability of default rating of Ba2-PD is one notch below the CFR, reflecting a low family-wide loss given default, in line with Moody's standard assumptions for infrastructure and utility companies.

## LIQUIDITY AND DEBT COVENANTS

As of June 2022, the group's combined liquidity was around €133 million, composed of €61 million of cash and around €60 million of undrawn amortising bank loans expiring between 2036-2037 at the ACA level, and €13 million of cash at Azzurra. In addition, as required under the terms of Azzurra's bonds, the company maintains a letter of credit from an investment grade counterparty equal to the next six-month's worth of interest payments. Given that the group does not have any significant debt maturities until May 2024, when Azzurra's €360 million bond is due to expire, Moody's considers its liquidity position as adequate to cover all cash requirements until at least December 2023.

Azzurra's debt documentation includes a step-down net debt/EBITDA financial covenant with an initial testing date of December 2023. Depending on the actual traffic recovery and EBITDA generation in the next year, there is a risk of the company breaching its covenant level in December 2023. The current rating assumes that the group will take actions in order to avoid any debt acceleration should this occur.

ACA's debt documentation also includes a set of financial covenants, which were waived during the 2020-2021 period due to the impact of the coronavirus crisis. The waiver agreement has not been extended beyond June 2022 as financial ratios are expected to be within the required

covenant levels.

## FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Although not considered likely given weak macroeconomic prospects, ACA and Azzurra's ratings could be upgraded in the scenario of a stronger-than-expected traffic recovery and a favourable operating environment, such that the group's FFO/debt were to remain persistently above 10%, coupled with a solid liquidity profile.

ACA and Azzurra's ratings could be downgraded if (1) the group consolidated financial profile weakens, so that Azzurra's FFO/debt remains materially below 8%; (2) ACA is not able to obtain yearly tariff increases in order to restore its profitability over the medium term; (3) there is a risk of covenant breaches within the group without adequate mitigating measures in place; or (4) the group's liquidity profile deteriorates.

## PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Privately Managed Airports and Related Issuers published in September 2017 and available at <https://ratings.moodys.com/api/rmc-documents/63380>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

## COMPANY PROFILE

Azzurra Aeroporti S.p.A. is the holding company of Aéroports de la CÃ´te d'Azur, whose main assets are Nice and Cannes Mandelieu airports operated under a concession expiring on 31 December 2044, and Saint Tropez airport (held freehold). Azzurra is owned by a consortium comprising Atlantia S.p.A. (52.7%), Aeroporti di Roma S.p.A. (7.8%), EDF Invest (19.4%) and the Principality of Monaco (20.1%).

## 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>.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the issuer/deal page for the respective issuer on <https://ratings.moodys.com>.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit

rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website <https://ratings.moody.com>.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://ratings.moody.com/documents/PBC\\_1288235](https://ratings.moody.com/documents/PBC_1288235).

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the UK and is endorsed by Moody's Investors Service Limited, One Canada Square, Canary Wharf, London E14 5FA under the law applicable to credit rating agencies in the UK. Further information on the UK endorsement status and on the Moody's office that issued the credit rating is available on <https://ratings.moody.com>.

Please see <https://ratings.moody.com> for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the issuer/deal page on <https://ratings.moody.com> for additional regulatory disclosures for each credit rating.

Erica Gauto Flesch  
Vice President - Senior Analyst  
Infrastructure Finance Group  
Moody's Investors Service Espana, S.A.  
Calle Principe de Vergara, 131, 6 Planta  
Madrid, 28002  
Spain  
JOURNALISTS: 44 20 7772 5456  
Client Service: 44 20 7772 5454

Andrew Blease  
Associate Managing Director  
Infrastructure Finance Group  
JOURNALISTS: 44 20 7772 5456  
Client Service: 44 20 7772 5454

Releasing Office:  
Moody's Investors Service Espana, S.A.  
Calle Principe de Vergara, 131, 6 Planta  
Madrid, 28002  
Spain  
JOURNALISTS: 44 20 7772 5456  
Client Service: 44 20 7772 5454

© 2022 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and

cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$5,000,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody.com](http://www.moody.com) under the heading "Investor Relations – Corporate Governance – Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating

agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY100,000 to approximately JPY550,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.