

## RATING ACTION COMMENTARY

# Fitch Affirms ENA Master Trust at 'BBB'; Outlook Remains Stable

Wed 19 Oct, 2022 - 3:46 p. m. ET

Fitch Ratings - Mexico City - 19 Oct 2022: Fitch Ratings has affirmed the 'BBB' rating on the fixed-rate USD400 million senior secured notes of ENA Master Trust due in 2048. The Rating Outlook is Stable. Fitch has also assessed the Standalone Credit Profile (SCP) of the transaction at 'bbb'. The notes are supported by the cash flow generation of the Panama City Corridor Sur and Corridor Este toll-roads.

## RATING RATIONALE

The rating reflects the risk related to the operation of two toll roads, one with a long track record and another with shorter performance history, in Panama's capital city. Despite the projects' contractual ability to adjust tolls according to inflation, tolls have not been increased in most recent years; therefore, Fitch assumes that tolls will remain unchanged over the life of the notes. The ratings also reflect a standard debt structure that is senior, fully amortizing, with adequate structural features and covenant package. The notes are rated under Fitch's "Government-Related Entities Rating Criteria," which factors Fitch's strong assessment for the strength of the link between the Panamanian government and the project and moderate assessment for the perceived incentive of government support when needed.

Fitch's rating case minimum and average debt service coverage ratio (DSCR) is 2.3x and 2.6x, respectively. These metrics are high for the SCP's credit view category, according to the applicable criteria. However, the credit view is constrained at one notch above Panama's sovereign rating (BBB-/Stable) given the linkages between ENA Master Trust and the Panamanian government. The international credit view one notch above the sovereign is supported by the project's resilience to severe stresses beyond those observed under adverse macroeconomic conditions and by the existence of robust contractual ring-fencing provisions that limit cash flow transfers to the Government of Panama.

## **KEY RATING DRIVERS**

Moderate Volume Risk [Revenue Risk-Volume: High Midrange]:

The two corridors serve a strong reference market and play an important role in the road network of the capital city of Panama, representing relevant links for commuters and commercial traffic. The assets face competition from free alternatives and other transportation modes. Light vehicles represent the majority of the traffic, with limited exposure to heavy vehicles. While the Sur traffic corridor has a long track record of traffic, the Este corridor has started operations more recently and traffic shows limited history with some volatility. Nonetheless, this is largely mitigated by the fact that Sur corridor's revenues represent roughly 80% of the transaction's revenues. Fitch has revised its assessment of Revenue Risk (Volume) to 'High Midrange' from 'Midrange' following the publication of its new Transportation Infrastructure Rating Criteria, which assesses volume risk on a five-point scale.

Fixed Toll Rates [Revenue Risk-Price: Weaker]:

Although the concessionaire is entitled to annually adjust toll rates at inflationary levels, toll rates have not been increased by inflation and are not expected to be updated in the medium term.

Suitable Infrastructure Plan [Infrastructure Development and Renewal: Midrange]:

Sound contractual requirements to fund capital expenditure costs are in place for the two corridors. The concessionaire already has short- and medium-term maintenance plans in place to perform the works required in certain sections of the corridors. The capital investment program is internally funded. The structure includes a 12-month reserve fund for major maintenance.

## Standard Debt Structure [Debt Structure: Midrange]:

Debt is senior with fixed interest rate and a fully amortizing profile. There is a 12-month debt service reserve account, adequate distribution trigger and covenant package and restrictions to incur additional debt.

## Financial Summary:

Under Fitch's base case, minimum and average DSCR are 2.4x (in 2039) and 2.7x, while under its rating case, minimum and average DSCRs are 2.3x (in 2039) and 2.6x, respectively. Such metrics are above of the indicative range for the rating category. Nevertheless, the rating is constrained at one notch above the sovereign rating (BBB-/Negative) due to the project's linkage with the Panamanian government.

## PEER GROUP

ENA Master Trust's closest peer in Latin America is Autopistas del Sol's (AdS) rated 'B'/Outlook Stable. Both projects provide important connectivity within their respective areas and are subject to increasing competition from free alternatives. AdS's average DSCR is lower than ENA Master Trust's at 1.2x.

ENA Master Trust is also comparable with Concesionaria Mexiquense, S.A. de C.V. (Conmex, BBB/Outlook Stable). Conmex's metrics are higher than ENA Master Trust's with average DSCR at 3.4x. However, Conmex's rating is capped at one notch above Mexico's sovereign rating (BBB-/Outlook Stable) due to the toll road's exposure to the country's economic prospects.

## RATING SENSITIVITIES

### **Factors that could, individually or collectively, lead to negative rating action/downgrade:**

--A negative rating action on Panama's sovereign rating;

--Although remote, a substantial and sustained deterioration of the project's performance that could pressure liquidity levels.

### **Factors that could, individually or collectively, lead to positive rating action/upgrade:**

--A positive rating action on Panama's sovereign rating.

## BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

## **CREDIT UPDATE**

During 2021, average annual daily traffic (AADT) reached 146,601 vehicles, representing 75% of 2019's AADT, while toll revenues reached to USD65 million, equal to 75% of 2019 revenues. These figures are slightly higher than Fitch base and rating case's expectations of 70% recovery of traffic and revenues.

As of August 2022, overall traffic has recovered to 82.5% of 2019 AADT, lower than the 90% recovery expected for full year 2022 in our base case and slightly higher than the 80% recovery for full year 2022 expected in our rating case. Revenues for the same period reached USD48 million, which is 12% lower than expected in our base case and 3% higher than our rating case expectation.

According to the issuer, this slower than expected traffic and revenue recovery was caused by a sluggish start of the year due to the Omicron variant of the coronavirus, and also due to a lengthier back-to-the-office process from commuters. Also, during July, there were social protests in Panama due to rising costs of fuel, that caused temporary closures of the corridors. The government has implemented measures to appease the protests and these have not occurred since July. Traffic in August has caught up to the previous trend of recovery.

Expenses over 2021 were generally in line with expenses from previous years and our expectations. Up to June 2022, O&M and general expenses were also in line with previous years (USD8 million). However, major maintenance expenses have been lower than in previous years and below our forecasts due to delayed investments caused by supplier issues. These investments are expected to be executed in late 2022 or in early 2023.

In 2021, DSCR was 2.9x, while Fitch rating case expectations was of 2.5x. As of June 2022, DSCR was 2.7x, generally in line with the agency's rating case expectation.

## **FINANCIAL ANALYSIS**

Considering that actual traffic results have been below Fitch base case expectations and close to Fitch rating case expectations, we adjusted our traffic curves as follows.

Fitch base case assumes traffic recoveries of 85%, 95% and 100% for 2022, 2023 and 2024 relative to 2019 traffic followed by a traffic CAGR up to 2048 for ENA Sur and up to 2045 for ENA Este of 1.9%. O&M and major maintenance expenses were increased by inflation for every year plus 5% stress from the concessionaire's budget. Inflation estimates were 5% for 2022, 3% for 2023, and 2% 2024 and onward. Toll rates are assumed to remain fixed for the debt term. Under this scenario, minimum and average DSCR is 2.4x and 2.7x, respectively.

Fitch rating case assumes traffic recoveries of 80%, 90%, 95% and 100% for 2022, 2023, 2024 and 2025 relative to 2019 traffic followed by a traffic CAGR up to 2048 for ENA Sur and up to 2045 for ENA Este of 1.9%. O&M and major maintenance expenses were increased by inflation for every year plus 7.5% stress from the concessionaire's budget. Inflation and toll rate estimates were the same as in our base case. Under this scenario, minimum and average DSCR is 2.3x and 2.6x, respectively.

## **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**

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This 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. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg)

## **RATING ACTIONS**

**ENTITY / DEBT** ◆

**RATING** ◆

**PRIOR** ◆

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## ENA Master Trust

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ENA Master  
Trust/Senior Notes/1  
LT

LT

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USD 400 mln 4%  
bond/note 19-  
May-2048  
29249BAA3

LT

BBB Rating Outlook Stable

Affirmed

BBB Rating  
Outlook  
Stable

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### [VIEW ADDITIONAL RATING DETAILS](#)

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**APPLICABLE CRITERIA**

[Government-Related Entities Rating Criteria \(pub. 30 Sep 2020\)](#)

[Metodología de Calificación de Entidades Relacionadas con el Gobierno \(pub. 12 Nov 2020\)](#)

[Transportation Infrastructure Rating Criteria \(pub. 16 May 2022\) \(including rating assumption sensitivity\)](#)

[Metodología de Calificación para Infraestructura y Financiamiento de Proyectos \(pub. 06 Jul 2022\)](#)

[Metodología de Calificación de Infraestructura de Transporte \(pub. 06 Jul 2022\)](#)

[Infrastructure & Project Finance Rating Criteria \(pub. 20 Jul 2022\) \(including rating assumption sensitivity\)](#)

**APPLICABLE MODELS**

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

GIG MTR Model, v1.7.2 ([1](#))

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ENA Master Trust

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