ENA Master Trust

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This report does not constitute a rating action.

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Ratings Score Snapshot

Credit Rating(s)	
Senior Secured	
US$400 mil 4% nts due 05/19/2048	
Foreign Currency	BBB/Negative
Senior Secured	BBB/Negative

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country.

Project Description

ENA Master Trust (ENA Master or the project), is a limited purpose entity that owns ENA Sur and ENA Este. ENA Sur operates a 19.8-kilometer (km) urban toll road located in southern Panama City that connects the downtown area with the Tocumen International Airport. The construction of this asset began in May 1997, was partly opened in June 1999, and was completed in February 2000. The concession expires in June 2048, one month after ENA's debt maturity. ENA Este operates a 10.2-km toll road located in northern Panama City (formally known as Corredor Norte fase IIB). This toll road has been fully operational since 2015 and was designed as an extension of ENA Norte Trust (BB+/Negative) to connect the northern corridor to the southern one. ENA Este's concession ends in 2045.

ENA Master is a subsidiary of Empresa Nacional de Autopistas S.A. (ENA; not rated). The latter is a company created and owned by the government of Panama (BBB/Negative/A-2) to build and operate toll roads in the country. The operator of both corridors is Maxipista de Panama S.A. (Maxipista; not rated) and we expect it will continue to be so, given the administration contract, which expires when each concession ends.

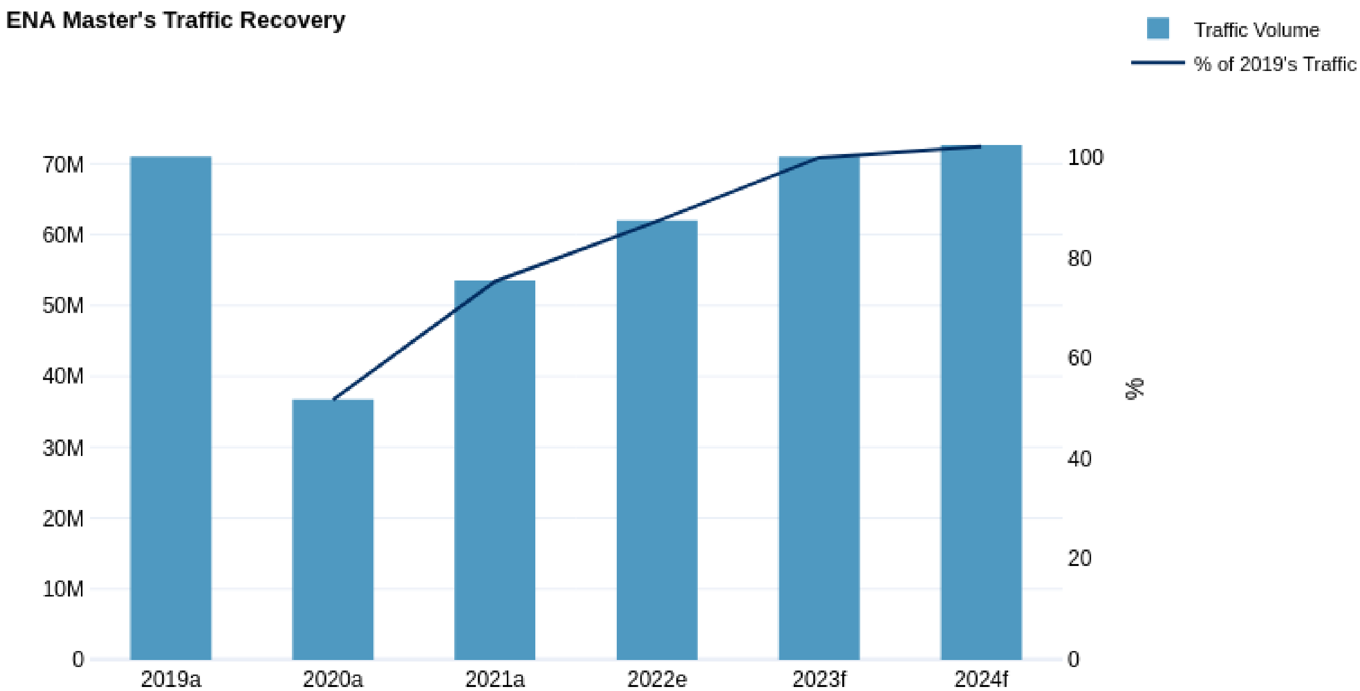
Credit Highlights

Overview

Key strengths	Key risks
Solid coverage metrics, given our expectations of a minimum debt service coverage ratio (DSCR) of 2.4x in May 2048.	Constrained by the sovereign's creditworthiness because we don't believe that ENA Master could withstand a sovereign default.
Strategic location around Panama City.	All revenues depend on traffic performance, which is inherently volatile.
Favorable traffic mix consisting mostly of commuters, driving trends of which tend to be more resilient during an economic downturn than that of heavy-vehicle traffic.	Some competition from alternative free roads, which also increases traffic volatility.
Solid liquidity reserves to withstand a downside scenario.	

We expect traffic to fully recover to pre-pandemic levels by the end of 2023, after reaching about 85% of those so far during 2022. Both ENA Sur and ENA Este service the country's most densely populated areas, along with key commercial and residential areas of Panama City. Like all volume-based toll roads, ENA Sur and ENA Este are exposed to market risk. In addition, both assets face competition from alternative free roads, such as Domingo Diaz Avenue that runs parallel to the corridors. This increases traffic volatility, and therefore, the fluctuation in future cash flows. For example, a slowing economy could dent traffic levels, and consequently, the cash flow available for debt service (CFADS). Nevertheless, the historical compound average traffic growth rate up to 2019, before the COVID-19 pandemic hit Panama in 2020, was close to 7.5%, slightly above the country's average annual GDP growth.

After the 46% increase in traffic volume in 2021 in ENA Sur and ENA Este, it has increased about 20% from January to October 2022 from the same period in 2021. This represents a recovery of about 85% of 2019 traffic level. Despite our previous expectation of traffic in 2022 reaching about 96% of 2019 level, we continue to project a 100% recovery by the end of 2023.



As of October 31, 2022. Source: Company's Disclosures & S&P Global Ratings.

In our opinion, ENA Master will post strong financial metrics during the notes' term, as seen in robust DSCR that we estimate will remain above 2.4x, with an average DSCR of 3.1x. We expect the minimum DSCR to be close to 2.4x in May 2048, which is the last payment period of the notes, when the company faces its largest debt principal payment ($23.2 million).

Comfortable liquidity reserves. The project benefits from a 12-month debt service reserve account (DSRA) that would allow ENA Master to comfortably withstand a downside scenario--including macroeconomic and operating stresses--for more than five years. Moreover, the project will maintain a reserve account to cover at least 12 months of major maintenance costs and one month of operations and maintenance (O&M), which we believe mitigates the absence of a cash lock-up mechanism.

The sovereign rating continues to limit that on ENA Master. The rating on ENA Master is currently limited by the rating on Panama, given that we don't believe the project could withstand a sovereign default. This is due to ENA Master's exposure to the regulator's (Ministry of Public Works) decisions on rates, capital expenditures (capex), and new debt, which affects the project's financial performance.

Outlook

The negative outlook on ENA Master reflects that we could lower the rating on the project in the next 6-12 months if we were to cut our rating on Panama to 'BBB-'. This could occur if we were to see a worsening of public finances as a result of a narrow tax base, spending rigidities, and the social security system's declining financial reserves. We could also lower the rating on ENA Master in the event of potential unexpected slackening of Panama's historically strong GDP growth rate or an enlargement of Panama's external financing requirements that worsens its external profile. In addition, we could revise downward ENA Master's stand-alone credit profile (SACP) by up to two notches if its DSCR falls below 2.25x, which could occur if traffic on both toll roads doesn't fully recover to pre-pandemic levels by the end of 2023.

Upside scenario

We could revise the outlook to stable if we were to revise that on the sovereign. Moreover, given that we cap our rating on ENA Master at the sovereign rating, we could upgrade the project if we were to do the same on the sovereign.

Performance Update

In 2021, the combined traffic of both toll roads recovered to 75% of 2019 level, slightly above our previous expectation of 77%. Our updated base-case scenario assumes a traffic recovery of about 87% in 2022, given that traffic recovered close to 85% of pre-pandemic levels from January to October 2022. Although this is below the 96% recovery that we previously expected for 2022, it has no major effect on the minimum DSCR, given that we continue to expect traffic to fully recover to 2019 levels by the end of 2023. We continue to project no rate increases, given the discretionary rate-adjustment mechanism.

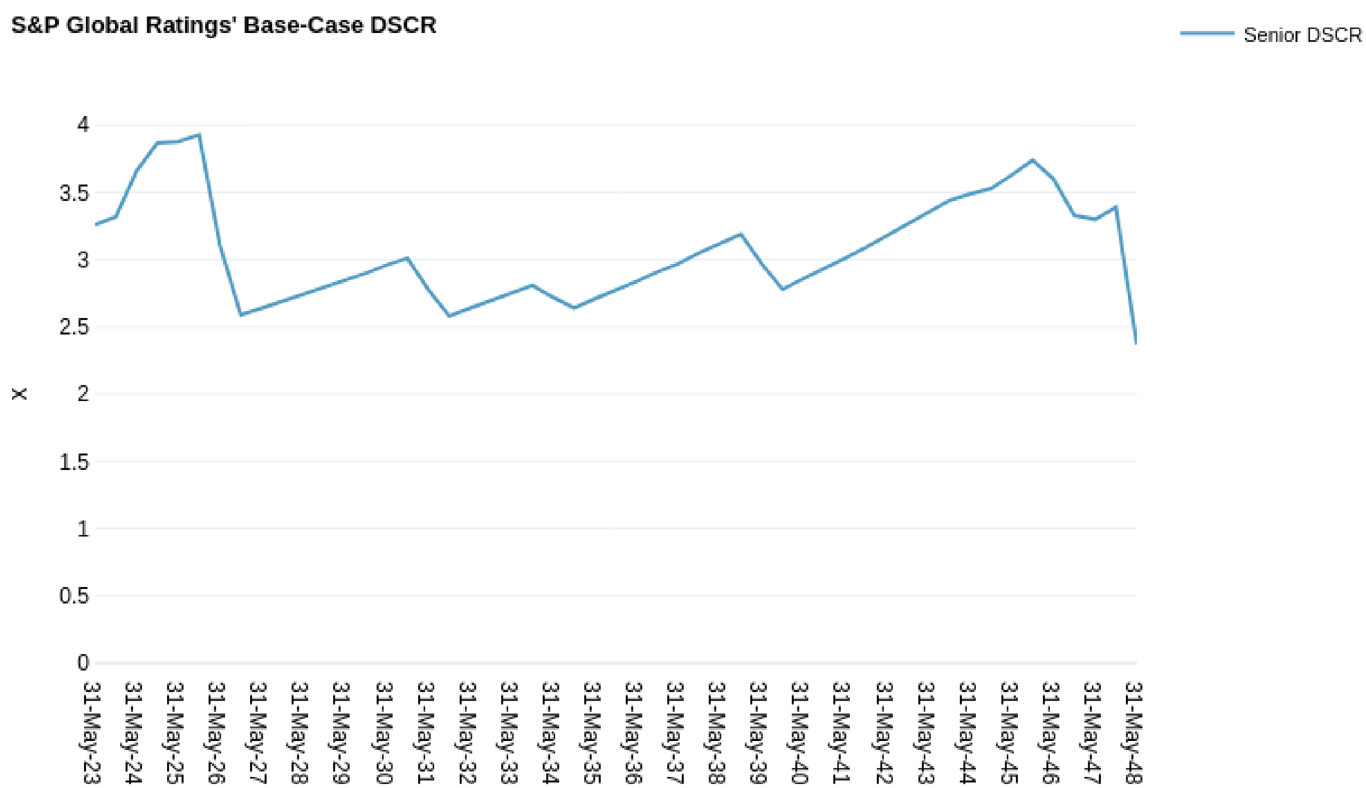
Operations Analysis

Base-case assumptions

- Our assumptions are in line with latest "Sovereign Risk Indicators", published on Oct. 10, 2022. We expect Panama's real GDP growth to be the main driver of the toll road's traffic growth and costs to be adjusted to the country's inflation rate.
- Panama's GDP growth of 5.5% in 2022 and 4.5% afterwards.
- Panama's inflation of 5% in 2022, 3% in 2023, 2% in 2024, and 1.5% in 2025 and afterwards.
- Traffic growth of about 16% in 2022 (87% of 2019 level), and 15% in 2023 (100%). Moreover, we forecast a full recovery of traffic in 2023 and long-term traffic growth of 1%-3%, which would be about 0.5x of Panama's GDP growth.
- No rate increases, given the discretionary rate-adjustment mechanism.
- Minor maintenance and other costs close to $16 million in 2022, afterwards increasing in line with inflation.
- Major maintenance costs of $2 million - $3 million in 2022, close to $8 million in 2023, an average of $6 million starting in 2024.

Key metrics

- A minimum DSCR of 2.4x in May 2048; and
- An average DSCR of 3.1x.



Source: S&P Global Ratings.

Preliminary Operations Phase SACP					
	--Preliminary operations phase SACP outcome in column headers--				
	--Minimum DSCR ranges shown in the cells below*--				
	aa	a	bbb	bb	b
OPBA					
1-2	=>1.75	1.75-1.20	1.20-1.10	<1.10	<1.10
3-4	N/A	=>1.40	1.40-1.20	1.20-1.10	<1.10
5-6	N/A	=>2.00	2.00-1.40	1.40-1.20	<1.20
7-8	N/A	=>2.50	2.50-1.75	1.75-1.40	<1.40
9-10	N/A	=>5.00	5.00-2.50	2.50-1.50	<1.50
11-12	N/A	N/A	N/A	=>3.00	<3.00
*DSCR ranges include values at the lower bound, but not the upper bound. As an example, for a range of 1.20x-1.10x, a value of 1.20x is excluded, while a value of 1.10x is included. In determining the outcome in these cells, the key factors are typically the					

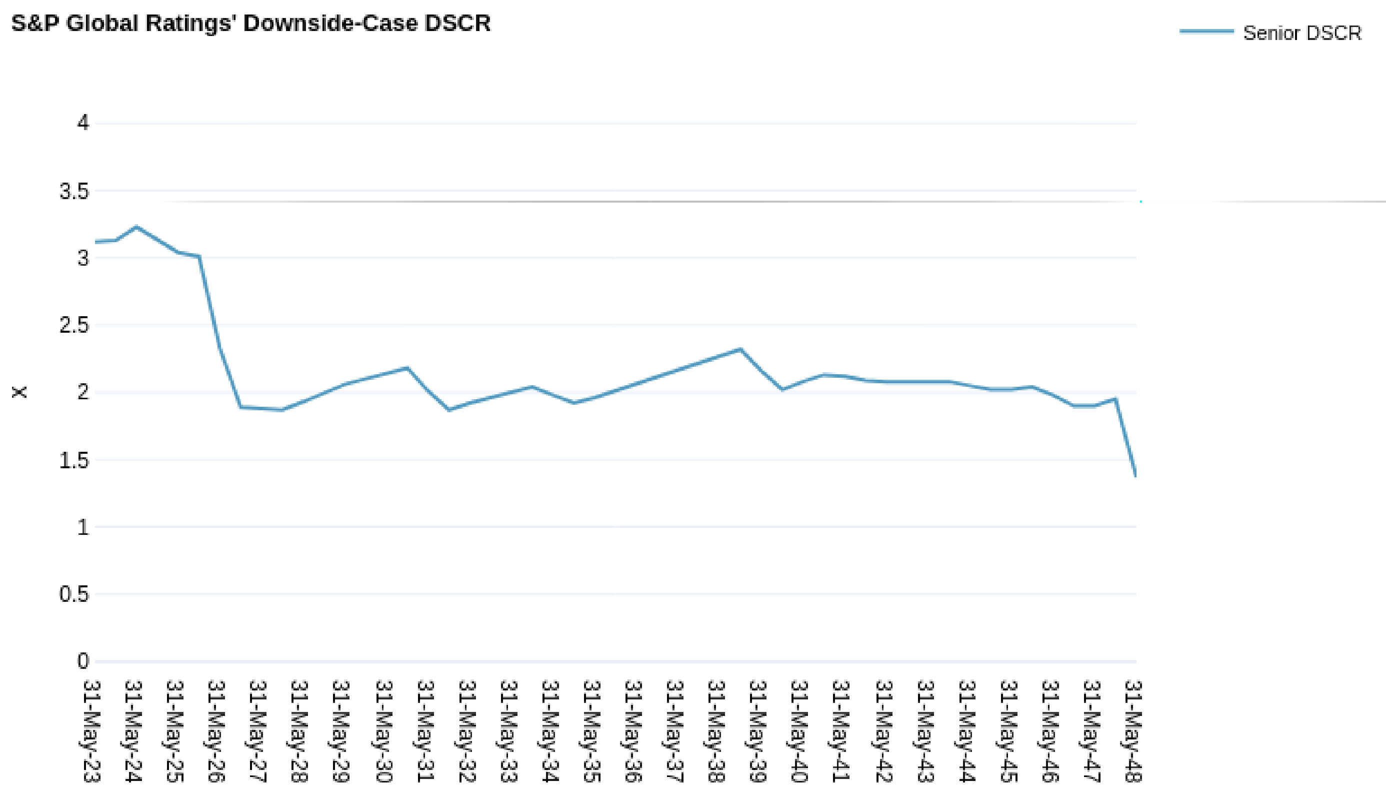
forecasted minimum DSCR (with at least 1.05x generally required for the 'BB' category), as well as relative break-even performance and liquidity levels. Please also refer to the FAQ at the end of this article.

Downside-case assumptions

- We modeled a downside scenario, assuming a five-year down cycle scenario with a traffic 6% lower than the base-case growth rate for two consecutive years starting in 2023, followed by a 3% drop between 2025 and 2027. Moreover, and because of the length of the project, we assume a second five-year down cycle scenario from 2041 to 2045.
- O&M and capex costs 10% higher than those in our base-case projections.

Key metrics

- A minimum DSCR of 1.4x in May 2048; and
- An average DSCR of 2.2x.



Source: S&P Global Ratings.

Liquidity

We consider ENA Master's liquidity as neutral. The project benefits from an adequate liquidity position, with a 12-month DSRA, and from its operation and maintenance reserve account (OMRA) that covers one month of O&M costs and 12-month major maintenance reserve account. The latter could eventually cover additional O&M costs if necessary, reaching an OMRA of up to 12 months. In our view, the possibility of retaining cash in a reserve account of at least 12 months of operations mitigates the absence of a forward-looking cash lock-up mechanism.

Operation counterparties

The project has no operating counterparties that pose a rating constraint. ENA Master will continue to be exposed to market risk. However, the diverse base of rate-paying users mitigates, in our view, the impact of the concentration of one or a few counterparties. In terms of operations, we expect the current operator could be substituted by other operators in a short period of time and without cost overruns. This is because the contract price is in line with market trends, and there are several other operators in the country and region that could provide the same service. Additionally, the project has one month of credit enhancement (through a fully funded OMRA) to continue operating the asset, if it needs to replace the operator.

Financial counterparties

The project has two bank account providers: Banistmo S.A. (BB+/Stable/B), where the project maintains the temporary concentration of funds and local payments, and Bank of New York Mellon (AA-/Stable/A-1+), the offshore account that holds all the other accounts (including the reserve accounts). We don't consider that any of the financial counterparties pose a rating constraint, given that other banks could replace them.

Peer Comparison

We believe that ENA Master's closest peer is Sociedad Concesionaria Costanera Norte S.A. (A/Stable), a 30-km long toll road that runs through Chile's capital city. Moreover, the mix of traffic is similar in both projects because they both have high reliance on commuters, which represent about 95% of total traffic. However, we believe that ENA Master faces greater competition from alternative free roads, leading to a higher market risk, and therefore, a higher operation phase business assessment (OPBA). Therefore, although both projects reach similar DSCRs through their debts' term, ENA Master has a lower SACP. We also consider ENA Norte Trust (BB+/Stable) as a peer of ENA Master, given that both projects are subsidiaries of ENA, have the same operator (Maxipista), and operate around Panama City. Both projects are connected because ENA Este connects ENA Norte with ENA Sur. Still, ENA Norte's SACP incorporates a negative three-notch adjustment given its heavy dependence on cash-flow sweeps. ENA Norte's notes don't have a scheduled amortization regime and its cash waterfall mechanism uses any excess cash flow after the payment of operating costs, interest payments, and replenishment of the reserves to amortize the outstanding principal amount of the notes.

Ratings Score Snapshot And Peer Comparison				
Project	ENA Master Trust	Sociedad Concesionaria Costanera Norte S.A.	Sociedad Concesionaria Autopista Central S.A.	ENA Norte Trust
Operations phase SACP				
Asset class operations stability	3	3	3	3
Performance risk	3	3	3	3
Operations phase business assessment	8	4	4	6

Minimum DSCR	2.4x	2.9x	1.9x	3.6x
Average DSCR	3.1x	3.2x	2.3x	10.0x
Preliminary SACP	bbb+	a	a-	a-
Downside assessment	a (+1 notch)	a (neutral)	a (neutral)	bbb (-1 notch)
Capital structure and avg. DSCR	Neutral	Neutral	Neutral	Material dependence on cash flow sweeps (-3 notches)
Liquidity	Neutral	Neutral	Neutral	Neutral
Comparative ratings analysis	Neutral	Neutral	Neutral	Neutral
Counterparty rating adjustments	None	None	None	None
Operations phase SACP	a-	a	a-	bb+
Modifiers				
Parent linkage	De-linked	De-linked	De-linked	De-linked
Structural protection	Neutral	Neutral	Neutral	Neutral
Sovereign rating limitation	BBB/Negative/A-2	A/Stable/A-1	A/Stable/A-1	BBB/Negative/A-2
Full credit guarantee	None	None	None	None
Senior debt issue credit rating and outlook	BBB/Negative	A/Stable	A-/Stable	BB+/Stable

Rating Above the Sovereign

Although the operations phase SACP is above the 'BBB' rating on the sovereign, we cap the rating on ENA Master at the level of Panama, given that we believe the project couldn't withstand a hypothetical sovereign default. We believe ENA Master has high exposure to the regulator, which approves rates, capex, and new debt. Therefore, we believe the government's decisions could significantly affect the project's cash flows, particularly under a sovereign stress event.

Rating Component Scores

Operations phase SACP

- Operations phase business assessment: 8 (1=best to 12=worst)
- Preliminary SACP: bbb+
- Downside impact on preliminary SACP: a- (+1 notch)

- Capital structure and average DSC impact on preliminary SACP: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Comparative analysis assessment: Neutral (no impact)
- Adjusted preliminary operations phase SACP: a-
- Operations counterparty ratings adjustment: Neutral (no impact)
- Financial counterparty ratings adjustment: Neutral (no impact)
- Operations phase SACP: a-

Modifiers

- Parent linkage: De-linked
- Structural protection: Neutral (no impact)
- Sovereign rating limits: BBB
- Full credit guarantees: None
- Senior debt issue rating: BBB

Related Criteria

- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | Project Finance: Key Credit Factors For Road, Bridge, And Tunnel Project Financings, Sept. 16, 2014
- Criteria | Corporates | Project Finance: Project Finance Framework Methodology, Sept. 16, 2014
- Criteria | Corporates | Project Finance: Project Finance Operations Methodology, Sept. 16, 2014
- Criteria | Corporates | Project Finance: Project Finance Transaction Structure Methodology, Sept. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | Project Finance: Project Finance Construction And Operations Counterparty Methodology, Dec. 20, 2011
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (as of December 02, 2022)*

ENA Master Trust	
Senior Secured	BBB/Negative
US$400 mil 0.04% nts due 05/19/2048	
Foreign Currency	BBB/Negative

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