



RATING ACTION COMMENTARY

Fitch Revises ENA Norte Trust's Outlook to Negative After Sovereign Action; Affirms Rating

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Fitch Ratings - Monterrey - 06 Oct 2023: Fitch Ratings has affirmed ENA Norte Trust's (ENA Norte) USD600 million notes at 'BB'. The Rating Outlook is revised to Negative from Stable. The standalone credit profile (SCP) is assessed at 'b+'.

The National Scale rating of 'A+(pan)' with a Stable Outlook is not affected by the revision of the sovereign rating, as it reflects ENA Norte's credit quality relative to other rated issuers and issuances within Panama.

RATING RATIONALE

The Negative Outlook mirrors the recent revision of Panama's sovereign Rating Outlook to Negative from Stable, given the exposure of the project to the dynamics of the economy of the country and the links between ENA Norte Trust and the Panamanian government. Although the transaction is government-owned project financing, Fitch considers the government has extensive decision-making power and strong incentives to provide extraordinary support to the project. The rating of the senior secured notes considers a two-notch uplift of above ENA Norte's SCP; therefore, a downgrade of the Issuer Default Rating (IDR) of Panama would result in a downgrade of the rating of ENA Norte Trust.

The Negative Outlook on Panama's IDR reflects persistent fiscal pressures and uncertain prospects for consolidation. The government has relied heavily on one-off measures and accounting maneuvers to reduce the fiscal deficits over the last year. Furthermore, fuel and electricity subsidies and a rising interest bill are pressuring the fiscal deficit in 2023, and a

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KEY RATING DRIVERS

ENA Norte's ratings reflect a strong and mature asset with a long operational track record. The project has the contractual ability to adjust tolls according to inflation, but tolls have not been increased in several years, so Fitch assumes they will remain unchanged over the life of the notes. ENA Norte's debt structure is robust as it does not allow for distribution of excess cash, but the totality of the toll revenue is dedicated to cover operational and financial obligations.

Under Fitch's Rating Case, minimum Loan Life Coverage Ratio (LLCR) is 0.5x in 2028, which indicates the debt is not expected to be fully repaid at its maturity in 2028. Despite this, the SCP is supported by Fitch's view that the concessionaire will be able to refinance its debt considering its low leverage and the government's ability to implement credit protection measures to enable the concessionaire to refinance and/or repay its debt.

RATING SENSITIVITIES

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

- Traffic performance materially worse than Fitch's rating case projection of 142,570 average annual daily traffic (AADT) for 2023;
- Government delay in taking actions to either refinance the debt or create conditions for the debt payment;
- Multi-notch downgrade on Panama's sovereign rating.

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

- Stabilization of Panama's sovereign Rating Outlook;
- Government actions that create better conditions for ENA Norte to repay its debt.

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

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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>.

RATING ACTIONS

ENTITY / DEBT ⇅	RATING ⇅		PRIOR ⇅
ENA Norte Trust			
ENA Norte Trust/Debt/1 LT	LT	BB Rating Outlook Negative	BB Rating Outlook Stable
	Affirmed		

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

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

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

ADDITIONAL DISCLOSURES

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