

CREDIT OPINION

9 November 2023

Update

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RATINGS

ENA Master Trust

Domicile	Panama
Long Term Rating	Baa3
Type	Senior Secured - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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ENA Master Trust

Update following rating downgrade to Baa3, outlook changed to stable

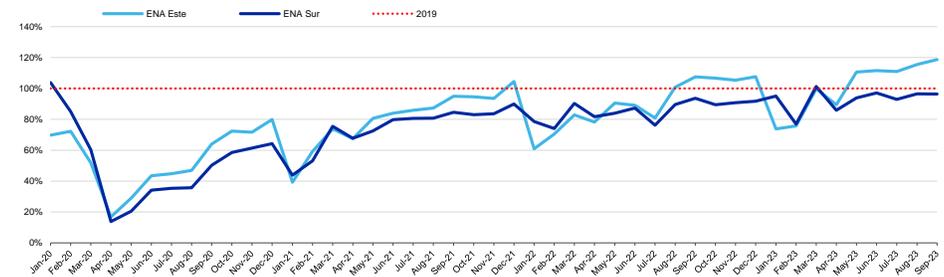
Summary

The credit profile of ENA Master Trust (Baa3 stable) benefits from the strong fundamental market position of Corredor Sur Toll Road (Corridor Sur) and Corredor Este Toll Road (Corridor Este) as key thoroughfares in Panama City; the history of steady growth in traffic; and ENA links with the Government of Panama (Baa3 stable). The rating also takes into consideration the various credit enhancements in the debt structure, including a 12-month forward-looking major maintenance reserve, a capital spending reserve and a debt service reserve fund equivalent to 12 months of interest and principal payments.

As of September 2023, traffic at ENA Master had increased by 11.7% compared with the same period in 2022, although it remains 6.3% below the 2019 levels (please refer to Exhibit 1). However, we expect traffic and revenue to return to, or near, the pre-pandemic levels by 2024.

Exhibit 1

Even though ENA Este corridor reached 2019 levels, full recovery of ENA Sur will be seen only by 2024/2025



Sources: ENA and Moody's Investors Service

Credit strengths

- » Exceptional market position with key thoroughfares in Panama City
- » Government ownership
- » Restrictions on increasing leverage

Credit challenges

- » Lack of tariff increases
- » Social protest can affect traffic performance

Rating outlook

The stable rating outlook reflects the outlook on the Government of Panama as a result of the strong links of the government with the toll roads. The stable outlook also incorporates our expectation that the debt service coverage ratio (DSCR) will remain above 3.0x over the next 12-18 months.

Factors that could lead to an upgrade

ENA Master's rating could be upgraded if Panama's rating is upgraded, and the company reports stronger DSCRs of more than 2.0x on a projected and sustained basis.

Factors that could lead to a downgrade

ENA Master's rating could be downgraded if Panama's rating is downgraded. The lack of tariff increases to satisfy debt service requirements when needed or a reduction in cash flow resulting in DSCRs of less than 1.6x would also exert downward pressure on the rating.

Key indicators

Exhibit 2

ENA Master Trust

	2021	2022	2023E	2024E	2025E	2026E
Debt Service Coverage Ratio	2.9x	4.0x	3.5x	3.8x	4.0x	2.7x
(Debt + ANPL*) to Operating Revenue	6.0x	5.3x	4.8x	4.5x	4.3x	4.0x

*ANPL = Adjusted net pension liabilities.

Sources: ENA Master Trust and Moody's Investors Service

Profile

Empresa Nacional de Autopistas S.A. (ENA), a Panamanian corporation, is wholly owned by the Panamanian government. It was incorporated as a holding company to hold the companies to which the government granted concessions to construct, preserve, operate, maintain, administer, finance and exploit highways or toll roads. ENA wholly owns the ENA Sur, ENA Este and ENA Norte toll roads.

In 2011, ENA purchased 100% of ENA Sur's capital stock, the concessionaire for Corridor Sur. Corridor Sur runs in a northeast-southwest direction along the coast, linking the western sector of Panama City (Paitilla), including the main business and financial district of Panama City and the newly developed area of Punta Pacifica, to the eastern sector (Tocumen). The eastern sector encompasses various suburban areas, the Tocumen International Airport and the Pan American Highway.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

In 2013, ENA constituted ENA Este, the concessionaire for Corridor Este. Corridor Este is a highway that connects the township of Las Mananitas and the Panamerican Highway with the Corredor Norte Toll Road. Corridor Este brings traffic directly from the east of the Panama Canal and from the ports in Colon on the Atlantic Ocean directly to the Tocumen International Airport, circumventing the need to go through Panama City.

Recent developments

On 02 November 2023 Moody's Investors Service downgraded ENA Master Trust's senior secured Global Scale rating to Baa3 from Baa2 and Baseline Credit Assessment to baa3 from baa2. The rating outlook was changed to stable from negative.

Detailed credit considerations

Overview of the transaction

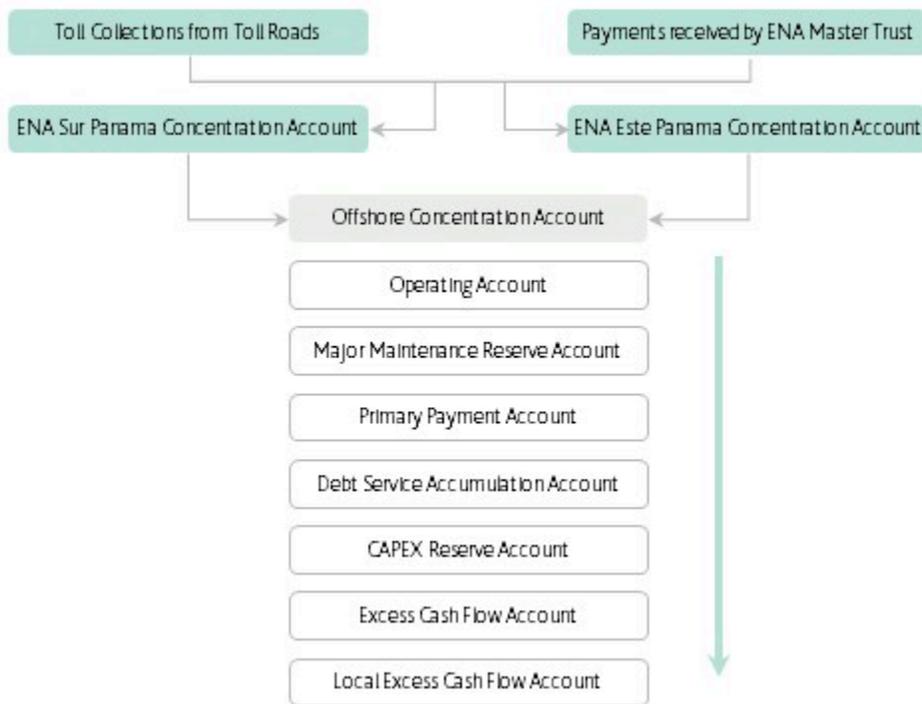
ENA Master is a special-purpose financing vehicle created to incur indebtedness and hold assets after the redemption of the ENA Sur notes and the 2014 ENA Este notes. In 2020, ENA Master issued \$400 million of senior secured debt, supported by the consolidated toll road cash flow of the ENA Sur and ENA Este corridors (Corridor Sur and Corridor Este). The notes are guaranteed by ENA Sur and ENA Este on a joint and several basis.

The debt was used to refinance the outstanding debt of ENA Sur Trust 2025 notes, amounting to \$107.5 million, and ENA Este Trust 2024 notes, totaling \$212 million. The remaining proceeds were used for other expenses and for general corporate purposes. The notes bear a 4% interest rate, payable semiannually on 19 May and 19 November each year. They will mature on 19 May 2048, with principal amortization payments starting in 2026.

The exhibit below illustrates the allocation of collections and payments of the transaction. The Major Maintenance Reserve Account comprises the sum of the amounts established in the major maintenance budget for the upcoming four quarters, based on the recommendations set forth in the most recent Independent Engineering Report. The Debt Service Accumulation Account matches the sum of the next two payments of both interest and principal. The balance requirements for the capital spending account are annually determined by ENA's board of directors.

Exhibit 3

Diagram of allocation of collections and payments



Source: ENA

Exceptional market position as a key thoroughfare in Panama City

Corridor Sur is a mature 19.8 kilometer (km) toll road network that has been operational since 2000. It is composed of three principal sections:

- » a 13.5 km segment running from Tocumen International Airport to Costa del Este, which is home to a number of headquarters of major Panamanian and international companies;
- » a 2.47 km marine viaduct between Costa del Este and the Atlapa Convention Center; and
- » a 3.8 km segment that includes an overseas causeway within the urban sector running from Atlapa to Paitilla.

Although Corridor Sur operates principally as a two-lane dual carriageway, a portion of the westbound and eastbound carriageways were widened to three lanes to accommodate increased traffic.

Corridor Este has been fully operational since March 2017 and consists of a 9.8 km section starting from the end of Corridor Norte at Brisas del Golf to 24 de Diciembre, and a separate 880 meter section from Gonzalillo to Pedregal that connects Corridor Norte at the Lajas interchange and the Gonzalillo-Pedregal Highway. Corridor Este holds significance because it brings traffic directly from the east of the Panama Canal and the ports in Colon on the Atlantic Ocean to the Tocumen International Airport, circumventing the need to go through Panama City. Corridor Este has four lanes, two in each direction.

The viability of the roads depends, to a great extent, on its service area. Both corridors are growing highway systems in Panama City, the nation's capital. The city is the economic and financial center of the country, and benefits from the banking, insurance, logistics, commerce and tourism sectors. The population of the country is around 4.5 million, with more than one-third of the people living in the Panama City metro area.

The toll roads face some competition from several sources, including the Panama metro system, the metro bus system and the non-tolled alternative routes. Line 1, the first subway line, started service in 2014. In 2019, line 2 initiated service and the Domingo Díaz road resumed its regular operations. This impacted traffic performance, resulting in a year-over-year contraction of 5.4% for Corridor Sur and 15% for Corridor Este.

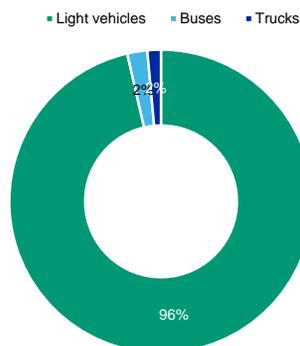
Volatile traffic performance but increasing since 2021

The toll roads have had adequate but volatile traffic volume over the years. The five-year compound annual growth rate for both toll roads was 7.6% over 2015-19. However, traffic declined 6.8% as of year-end 2019, driven mainly by the commencement of operations at line 2 of the metro, which allows for a better transit than the alternative Domingo Díaz road route. Additionally, social protest in the toll roads has contributed to traffic volatility and we expect that this situation will continue in the future under this type of events.

The coronavirus pandemic led to a sharp drop in traffic in 2020 because of the mobility restrictions implemented by the Panamanian government. In 2020, traffic declined 48.3% on an accumulated basis compared with 2019. However, as of September 2023, traffic has not recovered to pre-pandemic levels and is still below 6.3%. We expect traffic to fully recover to, or near, 2019 levels by 2024.

Despite fluctuations in volume, the toll road's traffic profile has remained concentrated in light vehicles, accounting for 96% of total traffic as of September 2023. Although composition is credit positive because of the reliability of commuter traffic as a toll revenue source over the more economically sensitive commercial traffic, this profile affected the traffic recovery after 2020. Lifestyle changes, such as remote work, and long-lasting government measures in response to the pandemic were key factors. As a result of toll roads' dependence on commuters, ENA Master recorded an 11.7% year-over-year increase in traffic during the first nine months of 2023. A significant portion of this growth is related to the resumption of in-person schooling.

Exhibit 4

Traffic composition as of September 2023

Source: ENA

Both toll roads operate using an electronic collection system called Panapass. Each user installs a Panapass sticker on their windshield and can top up the related account through several payment options. Each time a vehicle passes through a toll facility, the Panapass sticker is detected via radio frequency identification. Once the vehicle leaves the corridors, the applicable tariff is debited from the user's account depending on the distance traveled.

Revenue growth is likely to depend not on toll increases, which are likely to remain constant through the life of the concession, but on traffic fueled by economic growth, rising car ownership rates, population growth and increased ridership.

Restrictions on increasing leverage

Per the debt documents, ENA Master could issue additional debt only if, immediately after such debt is incurred, no default or event of default has occurred and will be continuing or will result from such incurrence; and the issuer obtains a rating affirmation in connection with such incurrence. These terms relatively safeguard the enterprise from any opportunistic corporate activity that could subject the bondholders to increased risk.

Government ownership

ENA Sur and ENA Este are 100% beneficially owned by ENA, which is in turn owned by the Panamanian government. This has been the case since ENA's purchase of all of the capital stock of ENA Sur in 2011, and since the incorporation of ENA Este in 2012. Historically, the ENA Sur and ENA Este boards have been presided over by the Minister of Public Works. The Panamanian government regards the Corridor Sur and the Corridor Este concessions as strategic assets for Panama's development, similar to the Panama Canal, the Tocumen International Airport and the Colon Free Zone. ENA Sur and ENA Este have never distributed dividends, although they have complied with the 1.3x distribution test. They have instead invested most of their annual profit in expansions, improving the quality of toll roads and services provided, and improving their toll collection systems.

Our analysis considers ENA Sur and ENA Este as government-related issuers (GRIs) because of ENA's status as a wholly owned entity of the Republic of Panama. The GRI analysis begins with a Baseline Credit Assessment (BCA), which is then adjusted for the expected levels of dependence on and support expected from the federal government. The BCA for this entity was determined to be baa3.

The level of dependence was designated as very high because of the strong correlation between the financial and operational links of the road and the Panamanian government. The two are closely linked, with revenue for both stemming from the same population base. In addition, both face similar credit risks. We expect a moderate level of support from the government because of the close links between the government and ENA Sur and ENA Este, the importance of the roads to the national transport system, and the implicit government support demonstrated for the roads through this transaction.

Financial profile

Corridor Sur and Corridor Este have had relatively volatile traffic volumes. For instance, in 2019, Corridor Sur experienced a 5% decrease in traffic volume compared with 2018. In 2020, transits fell by 48.7%. However, traffic surged by 45.9% in 2021 and by 14.5%

in 2022. Corridor Este saw a 15% reduction in traffic volume in 2019 compared with 2018, and in 2020, transits dropped by 45% year over year. This was followed by a 43.3% recovery in 2021 and a 12.6% increase in 2022.

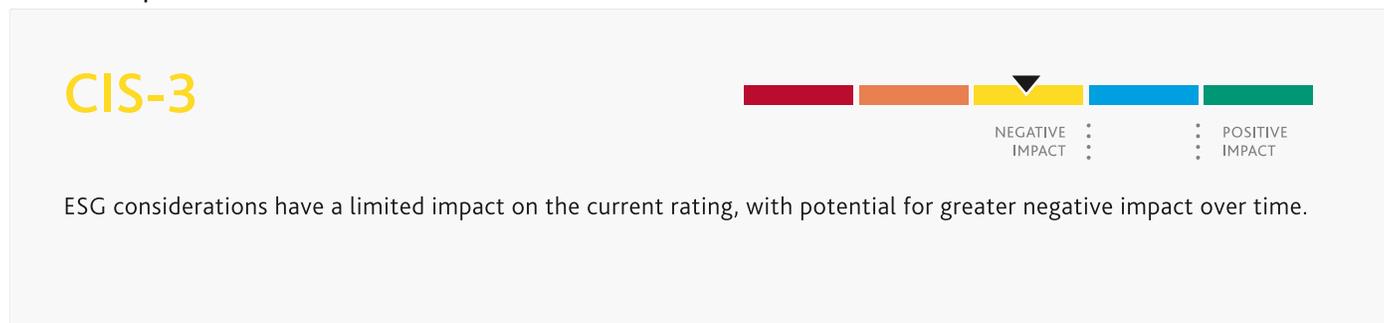
As a result of the lack of tariff increases, revenue has displayed a very similar trend as traffic performance. Over the next 12-18 months, we estimate a projected DSCR and debt/operating revenue consistent with the Aaa and A scores . For 2023 and 2024, we expect DSCRs of 3.5x and 3.8x, and debt/operating revenue of 4.8x and 4.5x, respectively.

ESG considerations

ENA Master Trust's ESG credit impact score is CIS-3

Exhibit 5

ESG credit impact score



Source: Moody's Investors Service

ENA Master Trust's **CIS-3** indicates that ESG considerations have a limited impact on the current credit rating with potential for greater negative impact over time. This score reflects low exposure to environmental risks but exposure to social and governance risk due to the government concerns over affordability issues and exposure to public policy decisions that have led to a lack of tariff increases.

Exhibit 6

ESG issuer profile scores



Source: Moody's Investors Service

Environmental

E-2. ENA Master Trust has low exposure to physical climate risks as heavy rains only modestly reduce traffic when they occur seasonally and have not caused material physical damage to date. Mitigating factors include insurance policies, regulations that allow the recovery of unforeseen costs or losses, and state intervention.

Social

S-4. ENA Master Trust is exposed to customer relations risk as reflected in the lack of tariff increases. Despite the concession agreement allows ENA Master Trust to increase tariffs by inflation every year, government concerns over affordability issues have resulted in a lack of tariff increases for several years.

Governance

G-3. ENA Master Trust is exposed to public policy decisions that have led to a lack of tariff increases. However, these risks are offset by its debt structure with project finance credit enhancements.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

ENA Master benefits from 12 months of interest and principal payments in its debt service accumulation account according to transaction covenants, which is standard for this type of structure. Its major maintenance reserve fund will be the sum of the amounts established in the major maintenance budget for the following four quarters based on the recommendations set forth in the most recent Independent Engineering Report. Additionally, the balance requirements for the capital spending account will be equal to the amount determined each year by ENA's board. These accounts will be funded with debt proceeds.

Methodology and scorecard

The principal methodologies used in rating ENA Master were our [Publicly Managed Toll Roads and Parking Facilities](#) rating methodology, published on 23 May 2023; and our [Government-Related Issuers Methodology](#), published on 21 February 2020. The scorecard is a reference tool that can be used to approximate credit profiles. However, the scorecard is a summary that does not include every rating consideration.

Exhibit 7

ENA Master Trust

Publicly Managed Toll Road and Parking Facilities Industry [1][2]

Factor 1 : Market Position (45%)

	Current LTM 06/30/2023	
	Measure	Score
a) Asset Type	A	A
b) Competitive Position and Environment	Baa	Baa
c) Economic Strength and Diversity of Service Area	Baa	Baa

Factor 2 : Performance Trends (35%)

	Measure	Score
a) Annual Revenue (USD Million)	\$78.6	Baa
b) Operating Track Record and Revenue Stability	Baa	Baa
c) Ability and Willingness to Increase Rates	B	B

Factor 3 : Leverage and Coverage (20%)

	Measure	Score
a) Debt Service Coverage Ratio	4.7x	Aaa
b) (Debt + ANPL) to Operating Revenue	5.0x	A

Notching Adjustments:

	Measure	Score
a) Debt Service Reserve Fund		0
b) Open Flow of Funds		0
c) Days Cash on Hand		1
d) Asset Ownership and Financing Structure		-0.5
e) Leverage Outlook		0

Rating:

	Measure	Score
Scorecard-Indicated Outcome before Notching Adjustments		Baa1
Notching Adjustments		0.5
a) Scorecard-Indicated Outcome		Baa1
b) Actual Rating Assigned		Baa3

Government-Related Issuer

	Factor
a) Baseline Credit Assessment	baa3
b) Government Local Currency Rating	Baa3
c) Default Dependence	Very High
d) Support	Moderate
e) Actual Rating Assigned	Baa3

[1] All quantitative credit metrics incorporate Moody's standard adjustments to the financial statements for non-financial corporations.

[2] 30 June 2023.

[3] This represents Moody's forward view as of 23 October 2023, not the view of the issuer and, unless noted in the text, does not incorporate significant acquisitions and divestitures.

Source: Moody's Financial Metrics

Moody's 12-18 Month Forward View As of 10/23/2023 [3]

	Measure	Score
a) Asset Type	A	A
b) Competitive Position and Environment	Baa	Baa
c) Economic Strength and Diversity of Service Area	Baa	Baa

	Measure	Score
a) Annual Revenue (USD Million)	\$87.4	Baa
b) Operating Track Record and Revenue Stability	Baa	Baa
c) Ability and Willingness to Increase Rates	B	B

	Measure	Score
a) Debt Service Coverage Ratio	3.8x	Aaa
b) (Debt + ANPL) to Operating Revenue	4.5x	A

	Measure	Score
a) Debt Service Reserve Fund		0
b) Open Flow of Funds		0
c) Days Cash on Hand		1
d) Asset Ownership and Financing Structure		-0.5
e) Leverage Outlook		0

	Measure	Score
Scorecard-Indicated Outcome before Notching Adjustments		Baa1
Notching Adjustments		0.5
a) Scorecard-Indicated Outcome		Baa1

Ratings

Exhibit 8

<u>Category</u>	<u>Moody's Rating</u>
ENA MASTER TRUST	
Outlook	Stable
Senior Secured	Baa3

Source: Moody's Investors Service

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