

RATING ACTION COMMENTARY

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

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Fitch Ratings - Monterrey - 01 Mar 2024: 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 remains Stable. The notes are supported by the cash flow generation of the Panama City Corridor Sur and Corridor Este toll roads.

RATING RATIONALE

ENA Master's rating continues to reflect 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, they have not been increased in several years; therefore, Fitch assumes that tolls will remain unchanged over the life of the notes. Debt structure is standard for this type of transactions as it is senior, fully amortizing, with adequate structural features and covenant package. The rating reflects the transaction's nature as a government-owned project financing and is solely driven by the project's standalone credit profile (SCP).

Fitch's rating case minimum and average debt service coverage ratio (DSCR) is 2.4x and 2.7x, respectively. These metrics are high for the rating, according to the indicative guidance in Fitch's applicable criteria. The international rating is one notch above the sovereign rating. It is supported by the project's resilience to severe stresses beyond those observed under adverse macroeconomic conditions and by robust contractual ring-fencing provisions that limit cash flow transfers to the Government of Panama.

The Outlook remains Stable Outlook despite Panama's Negative Outlook. This reflects that the quality of ENA Master Trust's toll road assets are critical for the road network of the capital city of Panama, coupled with the transaction's robust credit metrics.

KEY RATING DRIVERS

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 make up 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 started operations more recently and has a limited traffic history with some volatility. This is largely mitigated because Sur corridor's revenues represent roughly 80% of the transaction's revenues.

Revenue Risk - Corridor Volume - Midrange; Revenue Risk - ML Characteristics - Midrange

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. Fitch does not expect the rates to be updated in the medium term.

Infrastructure Development & 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.

Debt Structure - 1 - Stronger from 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. The change in the assessment of this Key Rating Driver to Stronger from Midrange was made to increase consistency among Fitch's rated portfolio.

Financial Profile

Under Fitch's base case, minimum and average DSCR are 2.5x and 2.8x while under its rating case, minimum and average DSCRs are 2.4x and 2.7x, 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 (AdS; B/Positive), a toll road in Costa Rica. Both projects provide important connectivity within their respective areas and are subject to increasing competition from free alternatives, and share infrastructure development and debt risk midrange assessments. AdS's average DSCR is lower than ENA Master Trust's at 1.2x, which explains the difference in the ratings.

ENA Master Trust is also comparable with Concesionaria Mexiquense, S.A. de C.V. (Conmex; BBB/Stable), which operates a bypass in Mexico City, Mexico. Both projects share infrastructure development and debt risk midrange assessments. Conmex's metrics are higher than ENA Master Trust's with average DSCR at 3.1x. However, Conmex's rating is capped at one notch above Mexico's sovereign rating (BBB-/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 multiple-notch downgrade of Panama's sovereign rating;

--A substantial and sustained deterioration of the project's operational and/or financial performance that could largely pressure liquidity levels.

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

--A positive action is unlikely at the moment, given the rating is constrained by the correlation with the local economy and the government's ownership and control, which increases the propensity for interference on toll tariffs.

CREDIT UPDATE

During 2023, average annual daily traffic (AADT) reached 179,197 vehicles, representing 92.1% of pre-pandemic's AADT, while toll revenues reached USD79.8 million (91.2% of 2019 revenues). 2023 AADT performance was close to the 94% expected recovery in our previous base case and rating case.

ENA Este has seen the best performance with 100.0% from 2019 levels, while ENA Sur reached 90.7%. According to the concessionaire, the slow traffic growth in ENAs tranches (primarily in ENA Sur) is caused by many companies still working from home, while schools have not fully returned to in-person classes. The traffic mix exhibits a gradual increase in the share of cars and a decrease in buses and trucks, especially since 2018.

During 2023, total revenues reached USD79.8 million representing 91.2% of 2019 revenues, which were in line with our base and rating case projection of USD80.9 million.

Total expenses in 2023 were 23.7% higher than in 2022 and were 7% and 5% below the base and rating cases due to lower major maintenance and general and administrative cost. Taxes increased significantly during 2023 as a result of increase in revenues and recovery from ENA Este.

Debt Service in 2023 was paid for USD16 million and, as of December 2023, the debt service reserve account had a USD16.7 million balance.

FINANCIAL ANALYSIS

Fitch's base case assumes traffic in 2024 will achieve 104% and 98% of ENA Este's and ENA Sur's 2019 levels, respectively. ENA Sur corridor is expected to reach 100% recovery performance between 2024 and 2025, followed by a traffic CAGR of 1.8% through 2048 for ENA Sur and of 2.3% through 2045 for ENA Este. Toll rates are assumed to remain fixed for the debt term. From 2024 to 2026, O&M expenses and major maintenance were assumed as concessionaire budget plus 5% stress. From 2027 onward, Fitch expects the project will realign with ENA Master's initial budget plus 5% stress.

Under this scenario, minimum and average DSCR is 2.5x and 2.8x, respectively.

Fitch rating case assumes traffic performance in 2024 of 104% and 94% for ENA Este and ENA Sur, respectively, relative to 2019 levels. ENA Sur corridor is expected to reach 100% of 2019 levels in 2025, followed by a traffic CAGR of 1.8% up to 2048 of for ENA Sur and of 2.3% up to 2045 for ENA Este. Toll rates are assumed to remain fixed for the debt term. From 2024 to 2026, O&M expenses and major maintenance were assumed as concessionaire budget plus 7.5% stress. From 2027 and onward, Fitch expects the project realign with the ENA Master's initial budget plus 7.5% stress.

Under this scenario, minimum and average DSCR is 2.4x and 2.7x, 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

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 Master Trust		
ENA Master Trust/Toll Revenues - First Lien/1 LT	LT	BBB Rating Outlook Stable Affirmed
		BBB Rating Outlook Stable

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

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

[Transportation Infrastructure Rating Criteria \(pub. 18 Dec 2023\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

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

ADDITIONAL DISCLOSURES

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ENA Master Trust

EU Endorsed, UK Endorsed

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