

Fitch Assigned Expected Rating to ENA Master Trust's Senior Notes of 'BBB+'; Outlook Negative

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Fitch Ratings - Monterrey - [publication date will be automatically inserted] Fitch Ratings has assigned the expected rating of 'BBB+(EXP)' to the fixed-rate senior secured notes of ENA Master Trust (the Issuer) for up to USD400 million due in 2048. The Rating Outlook is Negative. Fitch also assigned expected rating of 'bbb+(exp)' to the Standalone Credit Profile (SCP) of the transaction.

RATING RATIONALE

The ratings reflect the risk related to the operation of two toll roads, one with long track record and other that is still going through a ramp-up phase 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 our "Government-Related Entities Rating Criteria" which factors Fitch's moderate assessments for both the strength of the link between the Panamanian government and the project, and the perceived incentive of government support when needed.

Fitch's rating case minimum and average (DSCR) is 2.5x and 2.8x, respectively. These metrics are high for the SCP's rating category, according to the applicable criteria. However, the ratings are constrained at one notch above Panama's sovereign rating (BBB/Negative), given the linkages between ENA Master Trust and the Panamanian government. The international rating 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.

The Negative Rating Outlook reflects the links between ENA Master Trust and the Panamanian government, where a downgrade of the IDR of Panama would result in a downgrade of the rating of ENA Master Trust.

The outbreak of coronavirus and related government containment measures worldwide create an uncertain global environment for the transportation sector. While related issuer performance data through most recently available issuer data may not have indicated impairment, material changes in revenue and cost profile are occurring across the transportation sector and will continue to evolve as economic activity and government restrictions respond to the ongoing situation. Fitch's ratings are forward-looking in nature, and Fitch will monitor developments in the sector as a result of the virus outbreak as it relates to severity and duration, and incorporate revised base and rating case qualitative and quantitative inputs based on expectations for future performance and assessment of key risks.

KEY RATING DRIVERS

Moderate Volume Risk [Revenue Risk – Volume: Midrange]: The two corridors represent important links for commuters and commercial traffic in the city of Panama. Given the recent infrastructure changes in the city, the assets face competition from free alternatives and other transportation modes. While Sur traffic corridor has a long track record, the Este corridor has recently started operations and traffic shows limited history with some volatility. Nonetheless, Este corridor's ramp up risk is largely mitigated by the fact that Sur corridor's revenues represents roughly 80% of the transaction's revenues.

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.

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 into additional debt.

Financial Profile: Under Fitch's rating case, minimum and average DSCRs are 2.5x and 2.8x, 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'/Negative. Both projects provide important connectivity within their respective areas and are subject to increasing competition from free alternatives. They also share Midrange assessments for key rating drivers except Price, which is Weaker for ENA Master Trust. AdS's coverage metric loan life coverage ratio (LLCR) is lower than ENA Master Trust's at 1.3x and its rating is limited by the sovereign rating of Costa Rica.

ENA Master Trust is also comparable with Concesionaria Mexiquense, S.A. de C.V. (Conmex, BBB/Stable). Conmex's metrics are similar to ENA Master Trust's with average DSCR at 2.6x. 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 positive rating action/upgrade:

-- The Outlook may stabilize following a stabilization of Panama's sovereign rating.

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.

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>].

TRANSACTION SUMMARY

The debt proceeds will be used to refinance the existing ENA Sur's and ENA Este's notes, cover any related transaction costs and fees, and distribute any excess cash to the Issuer. The debt structure will benefit from a Debt Service Reserve Account (DSRA) of 12 months of principal and interest, and restricted payments subject to a backward-looking 12-month DSCR test at 1.3x. Also, from limitations to incur into additional debt.

At issuance, an amount equal to the difference between the net proceeds of the Notes and the amount required to redeem ENA Sur Trust's notes will be deposited into an Escrow Account. Provided that the ENA Este Trust has delivered irrevocable notice of redemption in full of the ENA Este notes and upon request from the ENA specifying the amount due in connection with such redemption, the amounts in the Escrow Account will be transferred to redeem the ENA Este Trust's notes. In the event that the issuer simultaneously fails to redeem ENA Este Trust's notes in full by March 31, 2021 and transfer ENA Este's assigned rights and equity to ENA Master Trust, the Notes will be subject to a mandatory redemption of USD100 million, plus any accrued and unpaid interest. According to Fitch's calculations, the failure to redeem ENA Este Trust's notes coupled with the partial prepayment of the debt of ENA Master Trust, would not deteriorate the credit position of the latter.

During 2019, Corridor Sur's average annual daily traffic (AADT) reached 168,861 vehicles, representing a decrease of 5.3% from previous year, while toll revenues decreased 4.7% and reached USD69.7 million. Corridor Este had an AADT of 25,792 vehicles, a decline of -14.8% compared to 2018, while revenues from toll collections were USD17.8 million, also showing a decline of 13.7%. As per the concessionaires, the traffic decreases in both corridors during 2019 is attributed to traffic diverting to the competing route, Domingo Diaz Avenue, which had been partially closed in the last years due to the construction works of Panama's Metro Line II, but was opened in May 2019.

As of September 2020, traffic and toll revenues of both corridors have experienced a significant decrease in comparison to the same period in 2019, mainly due to the measures applied by the Panamanian government to contain the coronavirus pandemic since March 2020. A quarantine in Panama was imposed with a night curfew for all Panamanian residents, while a gradual re-opening of the economy has taken place since June. On Oct. 12, 2020 all mobility restrictions were lifted, allowing restaurants and other social activities, as well as the opening of national and international borders.

In Corridor Sur, traffic and revenues have decreased 52.3% and 52.0%, respectively; while traffic and revenues in Corridor Este showed similar decreases of 51.1% and 50.9%, respectively.

FINANCIAL ANALYSIS

Fitch Cases

Fitch's base case assumed an average traffic variation of -40% for the fourth quarter of 2020, compared to the same periods of 2019, for the two corridors. As a result, this scenario assumes traffic in 2020 will reach 50% of the 2019 levels observed in both Corridor Sur and Corridor Este. In 2021 and 2022, traffic is assumed to recover to

92% and 96% of 2019 level, respectively. In 2023, Fitch assumes traffic recovers to 2019 levels, followed by a traffic compounded annual growth rate (CAGR) up to 2048 for ENA Sur and up to 2045 for ENA Este of 1.9%.

Inflation was projected at 0.8% in 2021 and 1.0% afterwards. O&M and major maintenance expenses were increased by inflation plus 5.0% for every year from the concessionaire's budget. Toll rates are assumed to remain fixed for the debt term. Under this scenario, minimum and average DSCR is 2.6x and 2.9x, respectively.

Fitch's rating case assumed the same traffic level in 2020 as the base case, but a lower recovery in years 2021, 2022 and 2023 at 90%, 94% and 98% of 2019 levels, respectively. In 2024, Fitch assumes traffic recovers to 2019 levels, followed by a traffic CAGR up to 2048 for ENA Sur and up to 2045 for ENA Este of 1.9%. The agency also assumed the same levels of inflation and toll rate assumptions as the base case. O&M and major maintenance expenses were increased by inflation plus 7.5% for every year from concessionaire's budget. Under this scenario, minimum and average DSCR is 2.5x and 2.8x, respectively.

SECURITY

The Notes will be secured by a first-priority security interest in and lien on all material assets of the Issuer, including a pledge of shares of ENA Este, S.A. and ENA Sur, S.A.; the assigned rights, including the right to receive toll collections from Corridor Sur and Corridor Este, and compensations from the Government to maintain contractual equilibrium, and payments according to the concession agreements; and the transaction accounts.

Corridor Sur extends over 19.8 kilometers (approximately 12.3 miles) connecting Panama City's international airport (in the East) to the CBD (in the West). Corridor Este (Phase IIB) is an extension of Panama-Madden Segment that runs northwest, connecting to the Interstate Colon Highway, connecting with the Pan-American highway in the Tocumen international airport. ENA Sur and ENA Este operate the toll road concession of Corridor Sur and Corridor Este and have no other significant commercial activities. ENA Este and ENA Sur are subsidiaries of Empresa Nacional de Autopista S.A. (ENA). ENA is an entity wholly owned by the government of Panama, with the purpose of acquiring companies that have been granted concessions for the construction, maintenance, and operation of toll roads.

ESG CONSIDERATIONS

The highest level of ESG credit relevance, if present, is a score of 3. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity(ies), either due to their nature or to the way in which they are being managed by the entity(ies). For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

DATE OF RELEVANT COMMITTEE

04 November 2020

RATING ACTIONS

ENTITY

RATING

ENA Master Trust

ENA Master Trust/Senior
Notes/1 LT

LT

BBB+(EXP) ●

Expected Rating

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Applicable Criteria

Government-Related Entities Rating Criteria (pub.30-Sep-2020)

Infrastructure and Project Finance Rating Criteria (pub.24-Mar-2020)(includes rating assumption sensitivity)

Toll Roads, Bridges and Tunnels Rating Criteria (pub.26-Jun-2020)(includes rating assumption sensitivity)

Applicable Models

GIG MTR Model, v1.7.1 (1 (<https://www.fitchratings.com/site/re/976540>))

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