

# MOODY'S INVESTORS SERVICE

## Rating Action: Moody's assigns Baa1 to ENA Master Trust's \$400 million notes; the rating outlook is negative

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New York, November 09, 2020 -- Moody's Investors Service, ("Moody's") has assigned a baa1 baseline credit assessment (BCA) and a Baa1 rating to the \$400 million notes due in 2048 and issued by ENA Master Trust. At the same time, Moody's assigned a negative outlook to the rating.

The notes are being issued to refinance existing debt of ENA Sur S.A. and ENA Este S.A., which are wholly owned subsidiaries of Empresa Nacional de Autopistas, S.A. (ENA). ENA is a Panamanian corporation wholly owned by the Government of Panama (Baa1 negative).

The assigned ratings are based on preliminary documentation. Moody's does not anticipate changes in the main conditions that the notes will carry. Should issuance conditions and/or final documentation deviate from the original ones submitted and reviewed by the rating agency, Moody's will assess the impact that these differences may have on the rating and act accordingly.

### Assignments:

..Issuer: ENA Master Trust  
....Senior Secured Regular Bond/Debenture, Assigned Baa1

### Outlook Actions:

..Issuer: ENA Master Tust  
....Outlook, Assigned Negative

### RATINGS RATIONALE

ENA Master Trust's Baa1 rating reflects the application of Moody's joint default analysis (JDA) framework for government related issuers (GRIs), which takes into account the following three input factors: i) a baseline credit assessment (BCA) of baa1 as a measure for the rated entity's standalone creditworthiness, ii) our estimates of a moderate degree of implied government support in the case of financial distress and iv) a very high default dependence between ENA Master Trust and the Panamanian government.

The BCA of baa1 is based on Corredor Sur and Corredor Este toll roads' strong fundamental market position as key thoroughfares in Panama City, the nation's capital city and center of commerce, the history of steady growth in vehicle transactions and expectations of continued economic and population growth. ENA Master Trust's BCA also takes into account a projected debt service coverage ratio and debt to operating revenue consistent with an Aa. Debt Service Coverage Ratio (DSCR) is expected to average 2.9x during the 10-year period with the lowest DCSR according to Moody's Base Case Scenario.

Moody's Base Case Scenario incorporates that the coronavirus outbreak is leading to a period of sharp drop in traffic that is expected to remain in next months. From January to July, traffic and revenue declined 50.9% and 50.7%, respectively, on an accumulated basis with respect to 2019. We expect that the poor traffic performance will remain over the following months with a gradual recover towards the end of the year, but not fully. Traffic and revenues are expected to decline close to 40% in 2020 against 2019 which may lead to operating cash shortfalls. However, Moody's recognizes that the weak performance is partially compensated by ENA Master Trust's project finance provisions in the structure and a 5 year grace period for principle payments.

The bonds with a proposed legal maturity in 2048 are secured by toll revenue from both toll roads, Corredor Sur and Corredor Este. The structure provides for additional liquidity, a 12-month forward looking operating and major maintenance reserve, a Capital expenditures reserve, and a debt service reserve fund equivalent to 12 months of interest and principle payments.

Additional bondholder protections are standard for project finance transactions and dividend distributions are allowed only if debt service coverage is at least 1.3x. The government has the ability to raise toll rates if necessary, to satisfy the debt service requirements.

ENA is a Panamanian corporation wholly owned by the Government of Panama. It was formed mainly to acquire and manage companies that have concessions from Panama for the construction, conservation, maintenance, administration, financing and exploitation of toll roads and highways.

The outlook is negative in line with the rating outlook of the Government of Panama.

## ENVIRONMENTAL, SOCIAL, GOVERNANCE CONSIDERATIONS

In Moody's assessment, environmental considerations are not material to ENA Master Trust's credit profile. Toll roads face limited impact from environmental risks, though the effect of car use on air pollution is gaining increasing attention and could result in restrictions on traffic and car purchases in selected areas through air quality and traffic control measures. Nonetheless, traffic volumes are fundamentally linked to macroeconomic trends, business sentiment, population growth and personal mobility requirements.

Social considerations are not material factors for ENA Master Trust's credit profile. Moody's base case scenario already considers the credit impact of COVID-19 outbreak given existing trends of lifestyle changes that which could potentially accelerate.

Governance considerations are material to ENA Master trust credit profile. Given ENA's institutional framework, we consider Government of Panama's support as an important factor for the rating.

## FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING

In light of the negative outlook, upward rating pressure on ENA Master Trust's rating is unlikely in the near future. The rating outlook could return to stable as a result from the stabilization of Panama's rating outlook.

Downward pressure could generate from a change in the economic prospects for Panama, or any other event that causes transaction volumes to stagnate or decline. Lack of tariff increases to satisfy debt service requirements when needed or a reduction in cash flows that results in DSCRs below 2.0x would also exert downward pressure on the rating.

The methodologies used in this rating were Publicly Managed Toll Roads and Parking Facilities published in March 2019 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1091602](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1091602), and Government-Related Issuers Methodology published in February 2020 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1186207](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1186207). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of these methodologies.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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The rating has been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1133569](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569).

At least one ESG consideration was material to the credit rating action(s) announced and described above.

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