

Rating Action: Moody's affirms ENA Norte Trust's rating; outlook remains negative

19 Mar 2021

New York, March 19, 2021 -- Moody's Investors Service, ("Moody's") affirmed the Baa3 rating assigned to ENA Norte Trust's ("ENA Norte") Senior Unsecured Notes due 2028. Moody's also affirmed the Baseline Credit Assessment ("BCA") of ba1, a measure of ENA Norte's stand-alone credit quality, and maintained the negative outlook.

The rating action follows the rating downgrade and outlook change on the rating of the Government of Panama (Baa2 stable). For more information on the Government of Panama, please visit <https://www.moodys.com/credit-ratings/Panama-Government-of-credit-rating-591640/summary>.

Affirmations:

..Issuer: ENA Norte Trust

...Senior Unsecured Regular Bond/Debenture, Affirmed Baa3

Outlook Actions:

..Issuer: ENA Norte Trust

....Outlook, Maintained as Negative

RATINGS RATIONALE

The rating action reflects our unchanged view on the credit quality of ENA Norte notwithstanding the rating downgrade of the Government of Panama to Baa2 from Baa1, the support provider under our analytical framework for Government Related Issuers (GRIs).

The assigned BCA of ba1 reflects the relative resilience of cash flows available for debt service despite the deterioration of ENA Norte's traffic amid the COVID-19 pandemic. In 2020, traffic declined 45% on an accumulated basis with respect to 2019, while traffic related revenues declined 42%. We expect that the traffic performance and traffic related revenues will gradually recover over the following months, but according to our projections will not recover to 2019 levels in 2021. Notwithstanding this traffic decline, the weak financial performance is partially compensated by ENA Norte's debt structure which only requires mandatory interest payments with principal repaid on a cash sweep basis. During 2020, we estimate that in the face of this traffic decline, approximately \$ 13.6 million of principal was repaid from the cash sweep mechanism, compared to \$46.7million in 2019. The rating also considers ENA Norte's project finance structure, including provisions for distribution and additional indebtedness tests, and a 6-month debt service reserve fund.

The Baa3 rating assigned to ENA Norte reflects the application of Moody's joint default analysis (JDA) framework for government related issuers (GRIs), which takes into account the following factors: i) a baseline credit assessment (BCA) of ba1, as a measure of ENA Norte's standalone creditworthiness, ii) the Baa2 rating of the Government of Panama, as ENA Norte's support provider, iii) our view of Moderate implied government support in the case of financial distress and iv) a Very High default dependence between ENA Norte and the Panamanian government. As a result of this GRI analysis, the BCA received a one-notch rating uplift to produce a final rating outcome of Baa3.

RATING OUTLOOK

The outlook remains negative to reflect the uncertainty around future traffic performance which may impede further debt reduction and increase liquidity pressure should the return to more normal traffic flow is delayed.

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

In light of the negative outlook, upward rating pressure on ENA Norte's ratings is unlikely in the near future.

The rating could be downgraded if the coronavirus outbreak has a longer and continued impact on traffic that leads to a material reduction of available liquidity, slower than expected debt reduction and sustained financial deterioration. Specifically, if ENA Norte records cash interest coverages below 2.0x on a projected and sustained basis, could exert downward pressure on the rating.

ABOUT ENA NORTE

ENA Norte Trust is the special purpose vehicle created for this transaction to which rights under a concession and cash flows related to Corredor Norte toll road have been assigned. Corredor Norte is a highway system in Panama City, the capital of the Republic of Panama. It spans the northern part of the city complementing the Corredor Sur highway that runs along the shore in the south. Corredor Norte currently consists of three 2-lane segments totaling 33 kilometers, and one additional segment (Phase IIB), which is not a part of this transaction.

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, and Government-Related Issuers Methodology published in February 2020 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1186207. Alternatively, please see the Rating Methodologies page on 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.

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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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Roxana Munoz
Asst Vice President - Analyst
Infrastructure Finance Group
Moody's de Mexico S.A. de C.V
Ave. Paseo de las Palmas
No. 405 - 502
Col. Lomas de Chapultepec
Mexico, DF 11000
Mexico
JOURNALISTS: 1 888 779 5833
Client Service: 1 212 553 1653

Cristiane Spercel
VP - Senior Credit Officer
Infrastructure Finance Group
JOURNALISTS: 0 800 891 2518
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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