

MOODY'S

RATINGS

Rating Action: Moody's changes Aena's outlook to positive; affirms A3 rating

19 Mar 2024

Madrid, March 19, 2024 -- Moody's Ratings (Moody's) has today changed the outlook of Aena S.M.E., S.A. ("Aena") to positive from stable. Concurrently, the A3 long-term issuer rating, a3 Baseline Credit Assessment (BCA), A3 senior unsecured rating and (P)A3 senior unsecured MTN programme rating were affirmed.

The rating action follows Moody's change in outlook on the Baa1 rating of the Government of Spain to positive from stable, on 15 March 2024. For more details on the rationale for the sovereign outlook change, please refer to the press release: <https://ratings.moodys.com/ratings-news/416989>

RATINGS RATIONALE

RATIONALE FOR POSITIVE OUTLOOK

The change in the outlook to positive reflects the positive outlook on the Government of Spain (Baa1 positive) and the likelihood that Aena's rating will be upgraded if the sovereign rating is upgraded. In particular, Aena's rating is currently constrained by that of the Government of Spain, as its current financial profile suggests a higher rating than A3. This reflects an expectation that the company's Funds from operations (FFO)/debt ratio will remain above 20% on a sustained basis.

RATIONALE FOR RATING AFFIRMATION

Today's rating affirmation is underpinned by the strong traffic performance of Aena. In particular, the group's Spanish airports reached 283.2 million annual passengers at the end of December 2023, marking a significant 16.2% year-on-year increase compared to 2022 and surpassing 2019 levels by 2.9%. This robust traffic trend continued in the first two months of 2024, during which Aena handled 12.9% and 15.4% more passengers than the corresponding periods in 2023 and 2019, respectively. As a consequence of these strong results, Aena is the top performer among Moody's rated European airports.

Although the macroeconomic environment is subdued, Moody's expects the positive operational trend to continue and Aena's traffic to grow over the next two years, albeit at a slower rate. Among other factors, the group's performance will be bolstered by robust travel demand, the attractiveness of Spain as an international tourist destination and the company's traffic profile, which benefits from a high share of domestic and short intra-EU traffic.

Commercial activities will also sustain the group's earnings and financial profile, while the impact of sustained inflation on costs remains moderate, also thanks to operating efficiencies. Overall, the company anticipates to maintain an EBITDA margin of approximately 59% through to 2026, which Moody's considers achievable, given the group's positive track record.

The updated 2022-2026 business plan assumes that Aena's international business could account for 15% of its consolidated EBITDA by 2026, an increase from the 6.7% as of December 2023. Whilst there is still limited visibility regarding potential acquisition activity, Moody's views positively the potential growth upside in the context of Aena's existing financial flexibility. Nevertheless, significant debt-financed acquisitions could negatively affect the company's credit metrics.

Aena's A3 issuer rating reflects a view of its standalone credit quality expressed as an a3 Baseline Credit Assessment (BCA) and the company's rating is maintained at one notch above the sovereign rating of Spain. Although Moody's categorises Aena as a Government-Related Issuer, with Moderate dependency and Moderate support scores, the rating does not include any uplift for the possibility of extraordinary government support, given the company's BCA is already positioned above the rating of the Government of Spain.

More generally, Aena's rating continues to reflect (1) its very strong market position as the owner and operator of a network of airports serving the entire needs of Spain; (2) a balanced regulatory settlement; (3) a diversified carrier base with a high proportion of origin and destination traffic and international passengers; (4) its well invested airports, with broadly sufficient spare capacity; (5) its competitive aviation charges and (6) a very strong financial profile.

LIQUIDITY AND DEBT COVENANTS

As of end of December 2023, Aena benefits from a very strong liquidity position. Specifically, the company's sources of committed liquidity include (1) cash and cash equivalents of EUR2.2 billion; (2) a EUR2.0 billion sustainable revolving credit facility (RCF), currently undrawn, with maturity in 2028; (3) around EUR92.0 million available under Luton's RCF and (4) EUR554.5 million of available financing with a maturity up to 20 years. In addition to this liquidity, the company also has capacity to issue up to EUR900 million under its uncommitted Euro Commercial Paper (ECP) programme, which is currently fully undrawn.

Aena's debt documentation includes two financial covenants - a Net financial Debt/EBITDA of 7.0x and an EBITDA/financial expenses ratio of 3.0x tested annually, as of end of June and end of December, on a historical basis. Similarly, London Luton (Luton)'s debt, which represents around 5% of Aena's consolidated debt, is subject to financial covenants under its financing agreements. Moody's expects Aena to be in compliance with these covenants.

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

An upgrade of the rating of the Government of Spain, coupled with a maintenance of Aena's FFO/debt ratio above 20%, would result in an upgrade of the rating of Aena.

Downward pressure could develop if the company's FFO/debt ratio were to decline below the mid-teens in percentage terms on a sustained basis or there were concerns around its liquidity position. In addition, a deterioration in the Spanish sovereign creditworthiness could result in a downwards adjustment of Aena's rating.

PRINCIPAL METHODOLOGIES

The methodologies used in these ratings were Privately Managed Airports and Related Issuers published in November 2023 and available at <https://ratings.moodys.com/rmc-documents/410952>, and Government-Related Issuers methodology published in January 2024 and available at <https://ratings.moodys.com/rmc-documents/406502>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of these methodologies.

PROFILE

Aena is the largest airport operator group in the world by number of passengers by virtue of its control of most airport facilities in Spain. Aena operates 46 airports and 2 heliports in Spain, which together handled 283.2 million passengers in the 12 months to December 2023. Through its subsidiary Aena Internacional, Aena has a controlling stake in the company holding the concession rights for the operation of London Luton airport, the fourth largest airport serving the UK capital. The group's scope of consolidation also includes seventeen airports in Brazil, accounting for around 20% of the country's total traffic in 2023. Lastly, Aena holds equity stakes in companies operating airports in Mexico, Jamaica and Colombia. Aena is majority owned (51%) by the government of Spain.

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 on <https://ratings.moodys.com/rating-definitions>.

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