

# Transportation Infrastructure

## Back to 'business as usual'

This report does not constitute a rating action.

### What's changed?

**Creditworthiness is stable or slightly improving across our portfolio.** The credit recovery after the pandemic is over and our portfolio is mostly stable. All rating actions over the last 12 months (July 2023 to June 2024) were sovereign related, with two downgrades in France (Aeroports de Paris [ADP], SNCF) and one upgrade in Turkiye (Mersin International Port). This compares with five upgrades and one downgrade from July 2022 to June 2023.

**Normalized mobility trends, with mid-single-digit growth in land and air traffic.** Traffic revival for leisure destinations, coupled with supportive regulations, has underpinned the faster-than-anticipated financial metrics recovery and has stirred the nascent positive rating trend. We revised to positive the outlooks on Zurich and Schiphol airports, and we raised the stand-alone credit profile on Aeroporti di Roma and SNCF by one notch. However, the resurgence of dividend distributions could decelerate rating upside potential for some issuers.

### What to look out for?

**Political changes and the implications for infrastructure.** The political changes at the European Parliament and across several European countries (such as the U.K. and France) could affect the direction of public infrastructure plannings, including using public-private partnership and public spending on mobility transition. Many European countries may focus on strengthening the rail sector to achieve their decarbonization goals. The implied massive capital expenditure (capex) needs could boost companies' leverage unless mitigated by government support or favorable regulation.

**Geopolitical risk and trade fragmentation.** The protracted Russia-Ukraine war and a widening Middle Eastern conflict could affect mobility patterns and investment flows. However, infrastructure issuers' exposure to this risk depends on the asset location and refinancing needs, making it secondary for most of our rated issuers in Western Europe. Growing protectionism and the fragmentation of international trade and logistics flows could increasingly weigh on maintenance, life cycle, and capex.

**Acquisitions and growth investments.** The narrowing valuation gap throughout 2024 may fuel acquisition activity, as illustrated by Vinci's purchase of 50.01% in Edinburg airport. Acquisitions are also on the agenda for toll road operators aiming at extending the life of their portfolios (Abertis and some single-asset concessionaires). As growth opportunities are limited in Europe, issuers will look to the U.S. (Abertis, Vinci) or emerging markets (ADP, Zurich), where country risk is a factor. We will monitor each company's specific headroom, acquisition funding, and any effect on business risk.

### What are the key risks around the baseline?

**A sharper economic slowdown.** A deterioration in the economic prospects or labor markets may move mobility growth from mid-single digit to low-single digit.

**Higher-for-longer interest rates.** In our base case, we expect central banks to cut rates over the next 12 months, but only gradually. Higher interest compared to markets' expectations may delay further refinancings or increase the use of short-term facilities, potentially adding pressure on liquidity.

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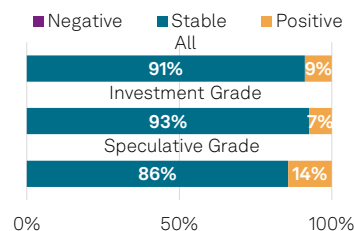
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## Rating Trends

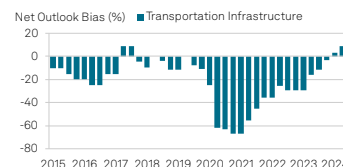
### Outlook Distribution



### Ratings Statistics (YTD)\*

	IG	SG	All
Ratings	27	7	34
Downgrades	2	0	2
Upgrades	0	1	1

### Ratings Outlook Net Bias



### Sector Forecasts (Median)

2024	IG	SG
Revenue growth (Y/Y%)	1.9	1.7
EBITDA growth (Y/Y%)	3.4	6.8
EBITDA margin (%)	33.3	44.8
Capex growth (Y/Y%)	5.3	44.2
Debt/EBITDA (x)	3.4	5.5
FFO/Debt (%)	22.4	12.3
FOCF/Debt (%)	1.3	3.8

All data as of end-June 2024.

\* Year-to-date. Current ratings only.

## Related Research

[European Airports Trundle Along](#), May 13, 2024