

Rating object

Brisa Concessão Rodoviária S.A
Long Term Local Currency Senior Secured Issues, issued by
Brisa Concessão Rodoviária S.A

Rating incl. outlook / watch

BBB / stable
BBB / stable

The present update is, in the regulatory sense, a public unsolicited rating.

Date of inception / disclosure to rated entity / maximum validity:

Rating object	Date of inception	Disclosure to rated entity	Maximum validity
Brisa Concessão Rodoviária S.A	16.01.2023	16.01.2023	Until withdrawal of the rating
Long Term Local Currency Senior Secured Issues, issued by Brisa Concessão Rodoviária S.A	16.01.2023	16.01.2023	Until withdrawal of the rating

There occurred no changes after the communication of the rating to the rating object.

Rating summary:

Creditreform Rating (CRA) has affirmed the unsolicited corporate issuer rating of Brisa Concessão Rodoviária S.A. (hereinafter also referred to as "BCR" or the Company), as well as the unsolicited corporate issue ratings of the long-term local currency senior secured notes issued by BCR, at **BBB**. The outlook remains **stable**. In addition to this report, we also refer to the rating report of 26 February 2021, and press release of 2 June 2022, which contains further relevant information with respect to the structural, business and financial risks of the Company.

The current rating attests BCR a highly satisfactory level of creditworthiness, representing a low to medium default risk. This assessment reflects the Group's fundamental characteristics such as its strong cash-generation capacity, existing concession portfolio, financial profile and credit metrics as well as the financial conditions stipulated in the Common Terms Agreement, which ensure some additional leeway with regard to the financial stability of BCR. Additionally, Average Daily Traffic ("ADT") development has recovered rapidly over the past year, as COVID-19 restrictions were lifted.

During both the 2020 and 2021 business year, BCR reported a significant decline in ADT against 2019 as it was adversely affected by the COVID-19 pandemic and the subsequently imposed travel and other restrictive measures. During 2020 ADT dropped to 15,986 vehicles per day (2019: 21,373 vehicles per day), translating into a 25.2% drop against the prior business year. The 2021 business year reported a significant increase in ADT to 18,550 vehicles per day due to the easing of COVID-19 related measures. However, ADT levels remained clearly under the pre-pandemic year 2019 as some seasons continued to be affected by mobility restrictions. The interim reporting for the first half of 2022 showed a marked improvement in ADT against the 2021 business year, as there were no longer any mobility restrictions to hamper traffic development. ADT stood at 19,259 vehicles per day (H1 2021: 14,663 vehicles per day), but remained slightly under the pre-pandemic level. During the first half of 2022 BCR generated revenues of EUR 302.4 million (H1 2021: 231.9 million, EBITDA of EUR 231.9 million (H1 2021: EUR 167.1 million) and a net result of EUR 91.8 million (H1 2021: EUR 52.1 million). Cash flow generation also improved significantly with cash flow from operating activities to EUR 193.2 million (H1 2021: EUR 121.2 million). Given that there were no imposed COVID-19 related matters impacting the business of BCR, we expect that traffic levels have continued slightly below or on pre-pandemic levels for the second half of 2022 and believe that this trend will continue, provided there are no further lockdowns. The war between Russia and Ukraine and its potential impact on gas prices, as well as a potentially looming recession could put pressure on ADT levels. However, we think that the impact of this will be less significant than the COVID-19 pandemic provided there is no further large scale escalation.

BCR's financial profile and credit metrics have again improved the first half of 2022 as revenues, profitability and cash-generation have improved significantly against the prior year. In principle, the Group's credit metrics are strong with high cash-flow generation available for debt and dividend distribution. However, this is partially offset by the Company's dividend policy, which generally distributes a significant share of its total comprehensive income, limiting the Company's ability to improve leverage. Even though these events put some negative pressure on the rating we believe that its financial position is somewhat safeguarded by BCR's financial covenants. Particularly the covenant Net Senior Debt / EBITDA has strong protective qualities as it becomes increasingly strict over time, thereby ensuring a gradual reduction in indebtedness. When a trigger event of any of the financial covenants occurs, dividend distributions must be halted in order to retain cash in the Company and allow for more deleveraging capacity until the situation has been remedied. We believe that the financial covenants provide some additional security with regard to the management of the Company's financial resources. Additionally, the maturity profile of BCR does not show any vulnerabilities in terms of refinancing. The Company showed significant headroom with respect to the trigger events of its covenants in the Common Term Agreement, even during 2020 and 2021, and had a total liquidity position of EUR 338 million as of H1 2022, which should be sufficient to redeem all indebtedness.

in 2023 (EUR 339 million will reach maturity) in combination with cash-flow generation. We therefore believe that BCR would be able to withstand potential adverse market conditions in 2023.

Due to the strong relationship between BCR's unsolicited corporate issuer rating and the state of the Portuguese economy, it is unlikely that the unsolicited corporate issuer rating of BCR will exceed the sovereign rating of the republic of Portugal by more than two notches. CRA has affirmed its sovereign rating of the republic of Portugal at **BBB** and changed its outlook to **positive** on 01.09.2022. Due to the current sovereign rating of Portugal it is currently not a constraining factor for BCR's unsolicited corporate issuer rating.

The ring-fencing structure of BCR provides some additional security for investors against the performance of the Brisa Group. Nevertheless, a deterioration of the credit quality of the Brisa Group could potentially affect BCR's unsolicited corporate issuer rating as it has multiple service agreements, as well as the influence it could exert over the dividend policy of Brisa. The fundamental financial key ratio analysis of BCR's ultimate parent company, BISA Auto Estradas de Portugal S.A. showed a slight improvement in 2021 against the 2020 business year.

We have also affirmed the unsolicited corporate issue rating of the long-term, local currency, senior secured issues, issued by Brisa Concessão Rodoviária S.A. at **BBB** and affirmed the outlook at **stable**. This decision is mainly based on the corporate rating of Brisa Concessão Rodoviária S.A. The conditions of the security agreement do not have additional influence on the issue rating. Other types of debt instruments or issues denominated in other currencies have not been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

Primary key rating drivers:

- + Further recovery in ADT development, profit and cash-flow generation being slightly below pre-pandemic levels
- + Sufficient headroom with respect to existing financial covenants

- Ongoing challenging situation with regard to the war between Russia and Ukraine, along with the related economic sanctions between the EU and Russia
- High inflationary environment, whilst pricing flexibility remains limited

ESG-criteria:

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Brisa Concessão Rodoviária S.A we have not identified any ESG factor with significant influence.

BCR manages the largest infrastructure concession in Portugal, but relies on other Companies within the Brisa Group to fulfil its obligations within the concession contract for maintenance of its road concession, and is therefore largely dependent on the ESG-targets of its sister companies within the Brisa Group. BCR has set the following reduction goals in relation to its ESG-targets: a 17% reduction of electricity consumption by 2028, a 53% reduction of fuel consumption by 2028, and a 3% reduction of water consumption by 2028. All of these targets are set against the base year of 2019. Over the past two years (2021 and 2020), the Company has managed to significantly reduce its greenhouse gas emissions, although this was largely a result of lower average daily traffic due to the mobility restrictions imposed in Portugal. During the first half of 2022, BCR increased its combined emissions of electricity and fuel consumption by 4.5% against the prior year. However, when compared to the base year 2019 there is a decrease of approximately 25%. We do not see any increased risks linked to the Company's CO2 pricing in the short to medium term. In the long term, however, operating performance could decline somewhat due to a CO2-related traffic change. The Group is committed to adhering to its environmental policy statement to promote biodiversity in order to preserve the environment. To this end, BCR has an environmental management team with a goal to build, maintain and operate its motorways more sustainably.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

Rating scenarios:

Please note: The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

Best-case scenario: BBB+

In our best-case scenario for one year, we assume a further recovery of ADT, either meeting or exceeding pre-pandemic levels, thereby assuming a further increase in net result and an improvement in credit metrics. Additionally, as the balance sheet of the Group shrinks annually due to depreciation of its concession portfolio and general debt reduction, BCR's credit metrics related to profit and balance sheet such as Net Total Debt / EBITDA adj, return on investment, EBIT interest coverage and others are set to improve, which could lead to an upgrade (ceteris paribus).

Worst-case scenario: BBB-

In our worst-case scenario for one year, we assume a downgrade to BBB-. This assessment is based on a scenario where fuel prices soar and the Portuguese and European economy face a significant and prolonged recession, resulting a significant decrease in revenues and earnings, which will inevitably deteriorate BCR's credit metrics without prospect of short-term recovery.

Analysts / Person approving (PAC):

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Initial rating:

Rating object	Event	Rating created	Publication date	Monitoring until	Result
Corporate Issuer Rating of Brisa Concessão Rodoviária S.A	Initialrating	14.11.2018	26.11.2018	14.11.2019	BBB/ stable
LT LC Senior Unsecured Issues issued by Brisa Concessão Rodoviária S.A	Initialrating	14.11.2018	26.11.2018	14.11.2019	BBB / stable

Status of solicitation and information basis:

The present rating is, in the regulatory sense, a public **unsolicited** rating. The rating object participated in the creation of the rating as follows:

Unsolicited Corporate Issuer / Issue Rating	
With rated entity or related third party participation	No
With access to internal documents	No
With access to management	No

Rating methodology / Version / Date of application:

Rating methodology	Version number	Date
Corporate Ratings	2.4	July 2022
Government-related Companies	1.0	April 2017
Non-financial Corporate Issue Ratings	1.0	October 2016
Rating Criteria and Definitions	1.3	January 2018

Regulatory requirements:

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation. The rating¹ was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

Conflict of interests

¹ In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report at this point:

No ancillary services in the regulatory sense were carried out for this rating object.

Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA [website](#).

An explanatory statement of the meaning of Creditreform Rating AG's default rates are available in the credit rating methodologies disclosed on the website.

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