Caisse Nationale des Autoroutes (CNA)

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	AA
Short-Term IDR	F1+

Local Currency

Long-Term IDR	AA

Outlooks

Foreign-Currency Long-Term IDR	Stable
Local-Currency Long-Term IDR	Stable

Financial Data

Caisse Nationale des Autoroutes

	31 Dec 17	31 Dec 16
Revenue (EURm)	145.9	233.7
Total debt (EURm)	3,353.4	4,544.8
Total assets (EURm)	3,862.6	5,092.2

Source: CNA, Fitch

Related Research

France (February 2018)

What Investors Want to Know: The Status of EPs Is not Tantamount to a Guarantee (March 2018)

Analysts

Pierre Charpentier
+33 1 44 29 91 45
pierre.charpentier@fitchratings.com

Nicolas Miloïkovitch
+33 1 44 29 91 89
nicolas.miloikovitch@fitchratings.com

Key Rating Drivers

Ratings Equalised With Sovereign: Fitch Ratings classifies CNA as a government-related entity (GRE) of the French state (AA/Stable/F1+) and equalises its ratings with those of the state. This reflects a “very strong” assessment of “status, ownership and control”, “support track record and expectations” and “financial implications of GRE’s default” rating factors, and a “moderate” assessment of “socio-political implications” of default.

Special Legal Status: CNA is an “établissement public administratif” (EPA) under French law, which implies both full ownership by the French state and close monitoring by the French government. The latter controls CNA’s board of directors and must approve CNA’s main decisions. Moreover, if CNA were shut down, its assets and liabilities would be transferred to the state or another public entity.

Very Strong Expected Support: As an EPA, CNA may access the state’s emergency liquidity support mechanisms. Fitch believes these mechanisms would be deployed in a timely manner if needed. Fitch also considers regulatory influence to be strongly supportive of CNA’s financial viability, as it is subject to tight public law accounting rules.

Debt Amortisation-Oriented Structure: CNA mainly acts as a debt-amortising structure, as most of the state-owned motorway concession companies (MCCs) were privatised between 2001 and 2006 and can no longer access CNA funding. However, CNA may still provide funding to two state-owned tunnel operators. Fitch believes that a default by CNA would have moderate socio-political implications.

State Funding Vehicle: CNA operates as a financing pool, as it on-lends the full amount of the debt it collects for eligible MCCs in the form of loans. Fitch considers it a proxy funding vehicle for the French state, and that it represents directly the signature of the state. A default by CNA could have large repercussions on the borrowing capacity of other French établissements publics (EPs)[1] as investors could lose faith in the French state’s commitment to support them.

Sharp Debt Decrease by End-2018: CNA’s debt decreased to EUR3.3 billion at end-2017 from EUR4.5 billion at end-2016. Fitch expects the debt stock to fall to around EUR1.1 billion at end-2018. Most of the privatised MCC loans will mature in 2018, essentially leaving the loans of the two public tunnel operators as CNA’s only debt at the end of the year.

Sound MCC Performance: MCCs benefit from a diversified user base and predictable regulatory framework. According to the covenants between CNA and the privatised MCCs, their loans from CNA become immediately and fully due and payable if their net debt exceeds 7x their EBITDA and if their EBITDA does not cover their financial charges by at least 2.2x. Privatised MCCs have been compliant with CNA’s financial covenants.

Rating Sensitivities

Change in Sovereign Rating: Any movement of the French sovereign’s ratings would be mirrored in CNA’s ratings.

Change in Support Factors: A downgrade could result from a lower assessment of strength of linkage or incentive to support factors.

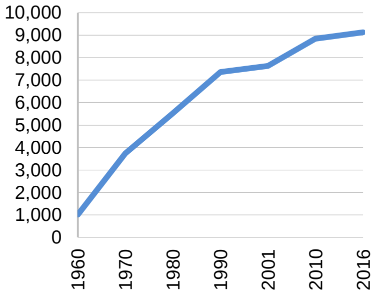
[1] Under French law, EPs are either EPAs or établissements publics industriels et commerciaux (EPICs).

Rating History

Date	Long-Term Foreign Currency	Long-Term Local Currency
2014	AA	AA
2013	AA+	AA+
2005	AAA	AAA

Length of Tolled Motorway Network and Toll Facilities

(Kms)



Source: ASFA

Related Criteria

Government-Related Entities Rating Criteria (February 2018)

International Local and Regional Governments Rating Criteria – Outside the United States (April 2016)

Profile

CNA was created in 1963 to provide pooled funding for the building, development and maintenance of the French motorway network by state-owned MCCs. CNA provides funds at a lower cost than the MCCs could achieve by themselves.

It mostly acts as a debt-amortisation structure, as most of the state-owned MCCs were privatised between 2001 and 2006 and can no longer access CNA funding. However, two tunnel operators, ATMB and SFTRF, were not privatised and remain eligible for CNA funding for their capital expenditure and debt refinancing.

MCCs must transfer to CNA the funds necessary to cover their financial obligations two weeks before they are due. In addition, loan agreements between CNA and privatised MCCs include additional covenants to secured repayments. Loans granted by CNA to privatised MCCs become immediately and fully due and payable if a privatised MCC breaches one of the following financial and operating covenants:

- net debt to EBITDA should not exceed 7x;
- interest coverage by EBITDA should be at least 2.2x;
- transport infrastructure and car parks must represent at least 85% of consolidated assets and 80% of consolidated revenues.

Fitch understands that MCCs have always been compliant with their covenants.

Key Rating Driver for Support Assessment

Summary

	Status, ownership and control	Support track record and expectations	Socio-political implications of default	Financial implications of default
Rating factors	Very strong	Very strong	Moderate	Very strong

Source: Fitch

Status, Ownership and Control

Fitch considers CNA's status, ownership and control as "very strong".

CNA is fully-owned by the French state and has the status of an EPA. This implies that it cannot be liquidated or go bankrupt; were CNA to be closed, its assets and liabilities would be transferred to the state or another public entity. Since 2014, it is considered by the French National Institute of Statistics and Economic Studies (Insee) as a central government body ('ODAC').

The French state has strong control over CNA's governance and closely monitors its activities. CNA is under the supervision of both the Minister of Finance and the Minister of Transport. The transfer of CNA's loans to the MCCs must be approved by both ministers (article R122-11 of the road system code). The ministers also appoint the president and vice president of CNA's board of directors (article R122-8).

CNA's board of directors is composed of the following members:

- two representatives from the Ministry of Transport (in charge of the national road network);
- two representatives from the Ministry of Economy and Finance;
- one representative from the Ministry of the Interior;
- the director of the Centre for Strategic Analysis (Office of the Prime Minister) or his representative;

- the chairman of the Caisse des Depots et Consignations or his representative;
- the chairman of one of the MCCs, nominated by the Minister of Transport.

The board is responsible for approving the budget and fiscal accounts, loans programme and loan distributions, subject to the ministers' approval.

CNA is subject to the ultimate control of the state's supervisory bodies (national audit court, state's general inspectors).

Since its inception, CNA's day-to-day administration, accounting and financial management have been outsourced to Caisse des Depots et Consignations (CDC, AA/Stable/F1+). CDC is a public financial institution and has also the status of an EPA.

Support Track Record and Expectations

Fitch considers CNA's track record and expectations as "very strong".

In Fitch's view, France's law of 16 July 1980 (the Law of 1980) makes the French state liable for the debt of its EPs, including EPAs such as CNA, or EPICs. However, the French state has no legal obligation to prevent a default by an EPA and Fitch believes that the Law of 1980 is not tantamount to a guarantee[2].

CNA's bondholders are protected from a change in the applicability of the Law of 1980, as bond documentation allows them to claim for an early repayment of the principal, plus accrued interest, if:

- CNA is dissolved – unless its activities and debts are transferred to the state or another public entity owned or controlled by the state and subject to Law of 1980; or
- the Law of 1980 ceases to be applicable to CNA, unless another law or regulation of substantially the same character is immediately enacted.

As an EPA, CNA is eligible for emergency liquidity support mechanisms from the state, which could help avoid a default in the case of liquidity shortfall. These mechanisms include treasury cash advances from the state and purchase of CNA bonds by the Minister of Finance or the State Debt Fund ("caisse de la dette publique"; CDP). Under the covenants between CNA and the MCCs, the latter must transfer to CNA the funds necessary to cover their financial obligations two weeks before they are due. Fitch estimates that this time frame would allow the state to intervene and prevent a default by CNA. We also note that there would be no legal, regulatory or policy restrictions on support from the French state.

Fitch considers regulatory influence to be strongly supportive of CNA's financial viability. As an EPA, CNA is subject to public law and tight statutory rules. CNA must follow public accounting standards, notably the principle of separating the functions of the decision-maker (the chairman of the board), who contracts expenditure, and the public accountant (Ministry of Finance civil servant), who makes actual payments and receipts.

CNA must follow budgetary and accounting procedures set up by the Ministry of Finance through the M91 budgetary instruction. The Ministry of Finance is responsible for allowing CNA to invest its available liquidity in regular banks rather than with the Treasury.

Moreover, following the reclassification as a central government-body in 2014 (see *Status, Ownership and Control*), CNA is no longer allowed to issue long-term debt (with a maturity above one year). However, it can still borrow from the French state or selected financial institutions such as the European Investment Bank (EIB).

[2] See *What Investors Want to Know: The Status of EPs Is not Tantamount to a Guarantee (March 2018).*

Socio-Political Implications of GRE's Default

Fitch considers the socio-political implications of CNA's default as "moderate".

CNA mostly acts as a debt-amortisation structure, as most of the state-owned MCCs were privatised between 2001 and 2006 and can no longer access CNA funding. CNA is now in charge of matching loan reimbursement from these private MCCs with its own debt repayment schedule until all debt stock is redeemed. This stock was EUR1.6 billion at 1 January 2018, and held by three groups (ASF-ESCOTA, APRR-AREA, and SANEF-SAPN). Nearly all (97.2%) of the privatised MCCs' debt will mature by end-2018; only EUR45.8 million will remain after 2018 (to be amortised until 2027).

Two tunnel operators that connect France and Italy, ATMB and SFTRF, were not privatised and remain eligible for CNA funding for their capital expenditure and debt refinancing. At 1 January 2018, ATMB and SFTRF accounted for 2.9% and 33.1%, respectively, of CNA's loan portfolio and their combined debt was EUR1.2 billion. After 2018, this debt will represent almost CNA's entire portfolio. In 2017, both companies borrowed EUR45 million with CNA. In 2018, no borrowing from them is expected.

ATMB is held 67.3% by the French state. The remaining main shareholders are the French departments of Haute-Savoie and Ain (18.62% together), and the Swiss City and Canton of Geneva (5.41% together). SFTRF is held 99.94% by the French state.

Fitch believes there would be some political implications in case of default. The lack of support from the French state to an EPA such as CNA would have some political repercussions, as it would be seen as a failure for the state to exercise one of its missions. It would also have a reputational effect on the French state in its relationships with the Italian state, as the tunnels connect France and Italy, as well in its relationships with the French and Swiss LRGs that are shareholders of ATMB (see above). However, Fitch believes that these implications would remain moderate.

Fitch understands that at this stage there are no plans to change CNA's role or mission.

Financial Implications of GRE's Default

Fitch considers the financial implications of CNA's default as "very strong".

CNA operates as a financing pool, as it on-lends the full amount collected for eligible MCCs in the form of loans. The rates and maturities on these loans are exactly the same as those for the bonds issued or loans taken by CNA. State-owned MCCs repay the loans contracted with CNA according to a set amortisation schedule that matches CNA's borrowings. Hence, Fitch considers CNA as a proxy funding vehicle for the French state and that it directly represents the signature of the French state.

Following the reclassification of CNA as a central-government body, its debt is now consolidated in the general government debt, which further illustrates its close link with the French state's debt. Accordingly, Fitch believes that a default of CNA could significantly affect the funding of the French state and that of other French GREs, especially EPs, as investors would likely lose faith in the French state's ability and willingness to prevent a default from one of these entities.

We also note that in 1986 the French state created the State Debt Fund (CDP), whose mission is to "enhance or protect the credit quality of the French state"[3]. The CDP may purchase commercial paper issued by French EPs, as part of the state's emergency liquidity support

[3] See *What Investors Want to Know: The Status of EPs Is not Tantamount to a Guarantee (March 2018).*

mechanisms. This shows the French state's awareness of the potential repercussions of a default by one of its EP on its own borrowing capacity.

Stand-Alone Assessment

Fitch considers CNA's stand-alone credit profile (SCP) as not meaningful as it acts as pass-through entity. CNA does not earn a margin on its activities and all its operating costs are passed on to MCCs (see *Financial Implications of Default, Financial Performance* and Appendices A and B).

Rating Outcome

Fitch classifies CNA as a GRE to the French state under its GRE rating criteria and equalises its ratings with those of the French state. This is due to a "very strong" assessment on the "Status, ownership and control", "Support track record and expectations" and "Financial implications of GRE's default" rating factors, and a "moderate" assessment on the "Socio-political implications of GRE's default" rating factor.

Operations

Financial Performance

CNA is financially transparent due to its role as a non-profit funding vehicle for MCCs. It makes no profit and therefore its profit and loss accounts are fully balanced. CNA loans the funds collected to eligible MCCs. Other operating or financial expenditure is fully covered by MCCs, and financial revenue is reimbursed to them.

Revenue

CNA does not receive any current funding from the state budget, tax proceeds or fees. Its resources, which totalled EUR145.6 million in 2017, consisted almost exclusively of interest on loans (EUR144.9 million down from EUR232.1 million in 2016).

Expenditure

In 2017, CNA's expenditure was EUR145.6million and was mainly made up of interest paid and financial charges on funding taken out on behalf of MCCs (EUR144.9 million).

MCCs' Performance

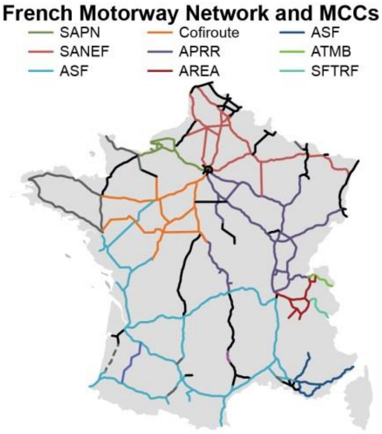
MCCs benefit from a predictable regulatory framework and sound traffic profile, as traffic growth shows little elasticity through the economic cycle. Their user base is diversified. Cars represented with 86% of traffic in 2016 and 68% of revenue, whilst heavy vehicles accounted for 14% of traffic and 32% of revenue.

Traffic has been dynamic in recent years (+2% in 2014; +2.7% in 2015; +3.1% in 2016), which translated into higher turnover (+3.8% a year on average in 2014-2016).

In April 2015, a EUR3.2 billion stimulus package for the motorway sector was announced. Privatised MCCs agreed to finance the plan in return for a two-year extension of the average duration of their concession. An additional EUR800 million stimulus package was announced in 2017; it will be financed by an increase in tariffs. In 2016, MCCs' capital expenditure was EUR1.43 billion, close to the 2015 level (EUR1.43 billion). At end-2016, their debt was EUR40.6 billion, up 8% compared with 2015 (EUR37.6 billion).

Privatised MCCs have been compliant with the CNA's financial covenants (see *Profile*). At 30 June 2017, net debt/EBITDA was 3.89x for ASF-ESCOTA 4.19x for APRR-AREA and 2.05x for SANEF-SAPN, far below the covenant of 7x. The EBITDA/financial charges ratio was 9.07x for ASF-ESCOTA, 8.50x for APRR-AREA and 9.51x for SANEF-SAPN, well above the covenant of 2.2x.

French Motorway Network and MCCs



Source: CNA, Fitch

MCCs' Financial Performance (EURm)

	ASF-ESCOTA		APRR-AREA		SANEF-SAPN	
	2015	2016	2015	2016	2015	2016
Revenue	3,519.2	3,689.5	2,379.0	2,582.8	1,702.2	1,733.837
Net result	893.1	1,143.3	538.4	670.9	344.3	450.7
Assets	13,482.3	13,526.2	8,552.5	9,269.4	4,721.4	4,989.4
Net debt	11,414.5	11,195.1	7,446.0	7,276.0	2,981.7	2,633.0
EBITDA	2,546.1	2,649.2	1,589.0	1,685.0	1,075.8	1,153.4
Net debt/EBITDA	4.48	4.23	4.69	4.32	2.77	2.28
Financial charges	392.6	334.1	275.0	233.0	199.1	140.7
EBITDA/financial charges	6.49	7.93	5.78	7.23	5.40	8.19

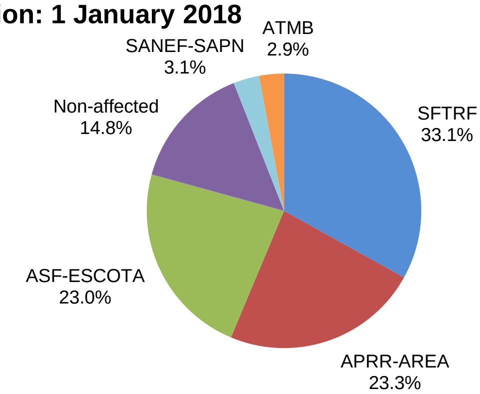
Source: Fitch on CNA data

Debt, Liquidity and Contingent Liabilities

Decreasing Debt

At 1 January 2018, CNA's debt was EUR3.3 billion, compared with EUR4.5 billion at 1 January 2017. Of the debt, 49.3% was held by the privatised MCCs, and 36% by the two state-owned tunnel operators. The remaining 14.8% of "non-affected" debt represents the early repayment by SANEF in 2015 (see *Liquidity*).

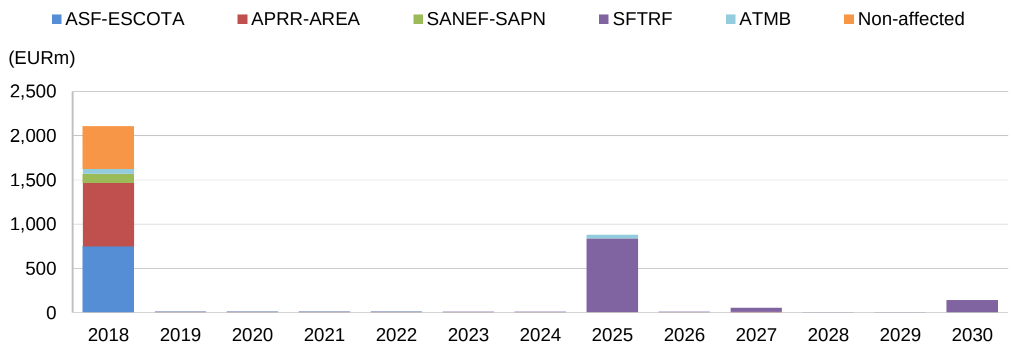
CNA Debt Distribution: 1 January 2018



Source: Fitch on CNA data

As most private MCCs' debt will mature in 2018, CNA's debt should fall to around EUR1.1 billion at end-2018. Around 95% will account for the two tunnel operators' debt, and the remaining 5% will represent EUR45.8 million that APRR will reimburse until 2027.

CNA Debt Amortisation: 1 January 2018



Source: Fitch on CNA data

Liquidity

The covenants set out in the contractual agreements and loan contracts between CNA and MCCs require the latter to transfer the necessary funds to CNA at least two weeks before the due date, which gives CNA sufficient liquidity to cover its obligations. Fitch understands that the MCCs have always complied with these covenants since CNA's creation.

MCCs can opt for early redemption of their debt to CNA, albeit incurring actuarial penalties to ensure a neutral impact on CNA. At end-2015, SANEF, a privatised MCC, made a EUR512 million early repayment to CNA. CNA deposited the funds in an interest-bearing account and will use them to repay the obligations at the due date (EUR15 million repaid in 2016, EUR15 million due in 2017 and EUR482 million due in 2018).

CNA's liquidity was EUR509.2 million at end-2017, down from EUR547.4 million at end-2016. It was mainly composed of this early repayment by SANEF.

Peer Analysis

Fitch expects that the equalisation of the ratings of the French national EPs (excluding hospitals) with those of the sovereign to remain the standard under its new GRE criteria. This is due to the robustness of their links with the state and the strong incentive for the state to provide them with timely support[4].

[4] See *What Investors Want to Know: The Status of EPs Is not Tantamount to a Guarantee (March 2018)*.

Appendix A

Caisse Nationale des Autoroutes (CNA)

(EURm)	2015	2016	2016	2017
Profit and loss				
Interest revenue	413.5	387.2	232.1	144.9
Interest expenditure	-413.5	-387.2	-232.1	-144.9
Net interest income	0.0	0.0	0.0	0.0
Net fees and commissions	1.7	2.3	0.9	1.0
Other operating income	0.0	0.0	0.0	0.0
Personal expenses	0.0	0.0	0.0	0.0
Other operating expenses	-1.7	-2.3	-0.9	1.0
Net gains and losses on securities and trading	**0.0**	**0.0**	**0.0**	**0.0**
Net operating income/(loss)	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0
Operating profit (loss) after provisions	**0.0**	**0.0**	**0.0**	**0.0**
Other non-operating revenues/expenses				
Contributions from state budgets	**0.0**	**0.0**	**0.0**	**0.0**
Profit (loss) before tax	**0.0**	**0.0**	**0.0**	**0.0**
Taxation	0.0	0.0	0.0	0.0
Net profit (loss)				
	0.0	0.0	0.0	0.0
Balance sheet				
Assets				
Cash and cash equivalents	3.7	589.6	547.4	509.2
Liquid securities				
Deposits with banks	0.0	0.0	0.0	0.0
Loans	7,646.8	5,998.5	4,544.8	3,353.4
Other earning assets				
Long-term investments				
Fixed assets				
Intangible	126.2	126.6	0.0	0.0
Other long-term assets				
Total assets	**7,776.7**	**6,714.7**	**5,092.2**	**3,862.6**
Liabilities & equity				
Customer deposits				
Deposits from banks				
Short-term borrowing				
Other short-term liabilities	3.7	589.6	547.4	509.2
Debt maturing after 1 year	7,646.8	5,998.5	4,544.8	3,353.4
Other long-term funding				
Other provisions and reserves				
Other long-term liabilities				
Equity				
Reserves	126.2	126.6	0.0	0.0
Total liabilities & equity	**7,776.7**	**6,714.7**	**5,092.2**	**3,862.6**

Source: Issuer and Fitch calculations

Appendix B

Caisse Nationale des Autoroutes (CNA)

(%)	2014	2015	2016	2017
Performance				
Interest revenue on loans/loans	5.4	6.5	5.1	4.3
Interest expense/borrowings and deposits	5.4	6.5	5.1	4.3
Net interest income/earning assets				
Net operating income/net interest income and other oper. revenue				
Net operating income/equity and reserves				
Net operating income/total assets				
Credit				
Growth of total assets	-15.6	-13.7	-24.2	-24.1
Growth of loans	-15.9	-21.6	-24.2	-24.1
Impaired loans/total loans				
Reserves for impaired loans/impaired loans				
Loan impairment charges/loans				
Liquidity and funding				
Long-term debt/total equity and reserves				
Liquid assets/total assets	0.1	8.8	10.7	13.2
Total deposits and debt/total assets	98.3	89.3	89.3	86.8
Liquid assets/short term deposits and borrowing	-			
Capitalisation				
Equity and reserves/total assets	-	-	-	-
Net profit/total equity and reserves	-	-	-	-
Loans/equity and reserves	-	-	-	-

Source: Fitch

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.