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Toll Road Ratings

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January 14, 2014

Outline

Key Rating Drivers – Toll Roads

Benchmarking & Stress Testing

Public vs. Private Credit Considerations

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TOLL ROAD
KEY RATING DRIVERS

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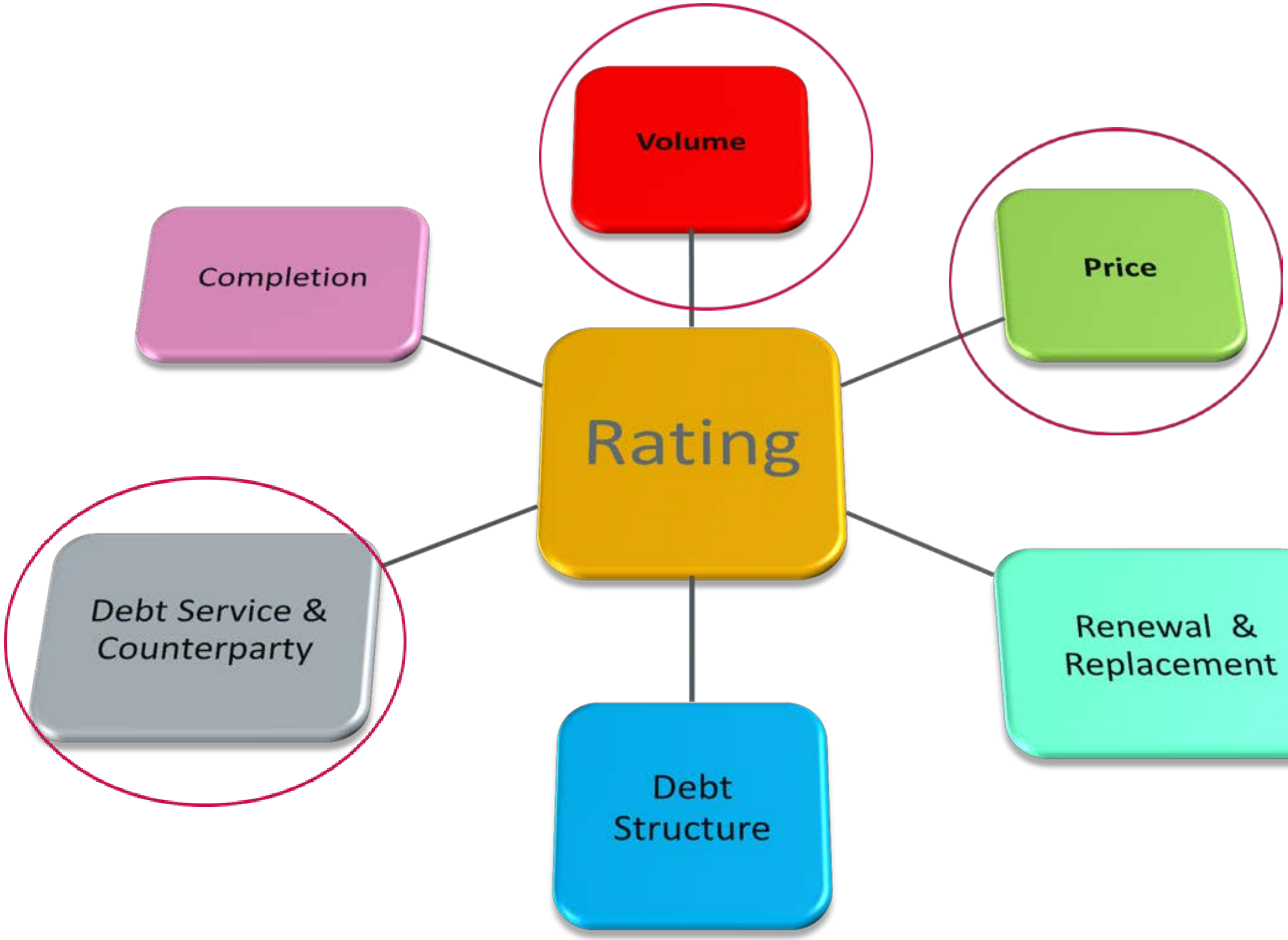
Key Rating Drivers

Unified Approach for Transportation:

- Completion Risk
- Revenue Risk: Volume
- Revenue Risk: Price
- Infrastructure Renewal & Replacement
- Debt Structure
- Debt Service

No Specific Weighting But Volume & Price Generally Most Influential

Key Rating Drivers



Key Rating Drivers: Volume

Relevant Metrics:

- Traffic Volatility
- Corridor Type & Traffic Mix (Expressway/Standalone/Commuter/Commercial)
- Competition
- Regional Economy

Strong:

- Proven Resilient Traffic Base W/Lower Volatility
- Near Monopolistic Characteristics, High % Of Commuters & Limited Competition From Roads & Other Modes of Transport

Key Rating Drivers: Price

Relevant Metrics:

- Legal & Economic Ability to Raise Rates & History of Rate Increases
- Elasticity/Value of Time
- Toll Rate/Mile & Current Rate Relative to Any Cap

Strong:

- Legal or Contractual Ability to Raise Rates Above Inflation W/Limited Legal or Political Interference
- Demonstrated Low Elasticity
- Comparatively Low Toll Rate

Key Rating Drivers: Debt Service

Debt Service is considered in the context of the overall risk profile determined by review of the other key rating drivers.

Relevant Metrics:

- **Leverage (Net Debt/CFADS)**
- **Liquidity**
- **DSCR/LLCRs**
- **MADs Coverage (Dependence on Growth)**

BENCHMARKING & STRESS TESTING

Benchmarking & Stress Testing

Building Appropriate Peer Group is Key

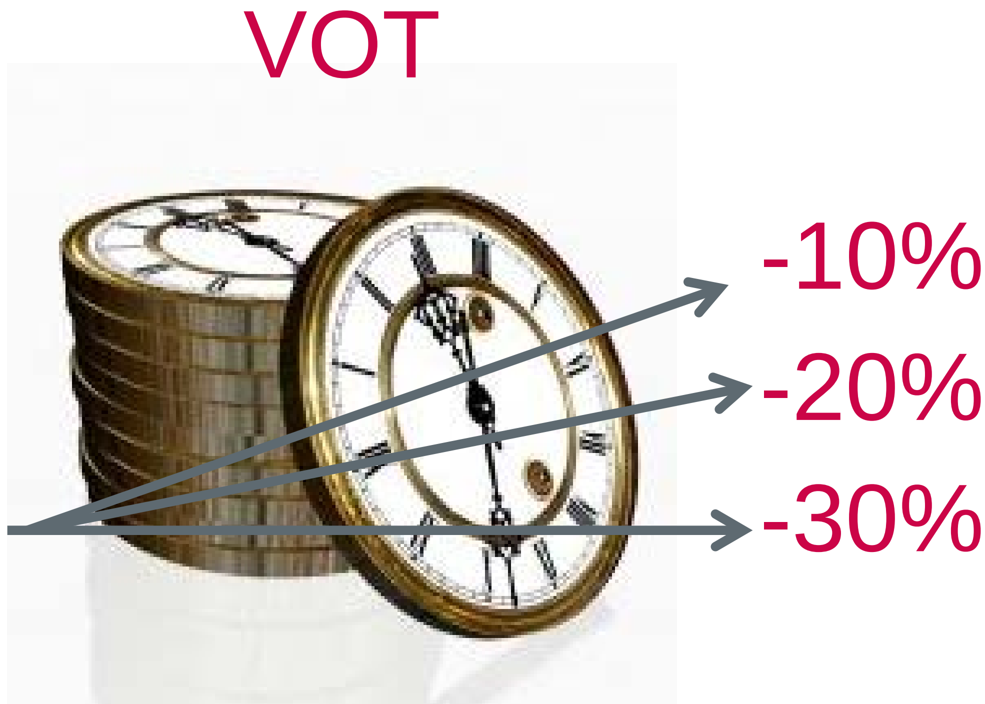
Indicative Peer Table

	Project 1	Project 2	Project 3
Road Type	Radial	Part Ring Road	Radial
MSA Size	Large	Very Large	Mid-Size
MSA Strength	Strong	Strong	Average
Lane Config (ML:GPL)	2:4	3:4	2:2
Lane Direction	2-Way	2-Way	MLs Reversible
% Revs from Peak	80	55	90
% Commuter	65	35	50
% 6+ Journeys/Week	55	25	70

Source: Fitch

Benchmarking & Stress Testing

Indicative Sensitivities



Depends on:

- Regional Per Capita Income
- Model Assumptions

PUBLIC VS. PRIVATE CREDIT CONSIDERATIONS

Relevant Rating Factors

- Quality of revenue management
- Operating and maintenance efficiency
- Level of asset preservation
- Overall leverage and efficiency of debt management

Year 1 – Concession vs. Public Authority

Concession

- Quicker to take advantage of legal/economic rate-setting authority
- Quicker to adopt new technology
- More aggressive violation/video toll collection
- Greater cost savings through fewer layers of management and greater focus on maximizing operational efficiency
- More timely maintenance/asset reinvestment (to meet standards)
- More flexible debt provides credit stability given high leverage

Public Authority

- Lower cost to user
- Not as quick to take advantage of legal/economic rate-setting authority
- Less aggressive violation/video toll collection
- More checks/balances & focus on public good, so higher management/labor cost, i.e. less focus on maximizing efficiency
- Less timely maintenance/asset reinvestment (no min. standards)
- Less flexible debt provides credit volatility but lower leverage

Year 20 – Concession vs. Public Authority

Concession

- Greater political risk from aggressive rate increases; tolls may in fact not be maximized
- Considerable concession value taken out, some remains
- Original owner may have sold
- Vagaries of economy may drive need to manage EBITDA
- Commitment to reinvest lower than in Year 1
- Fewer managerial checks and balances could raise issues
- Potential for disputes/risk of termination – risk of downgrade

Public Authority

- Lower revenue profile than needed to support re-investment
- High percentage toll rate increase proposed
- Political risk manifested despite lower toll rates
- Challenges to management strategies/practices/policies
- Level of reinvestment modified to meet political reality
- Asset quality likely lower than "concession" standards
- Delayed action increases potential for downgrade

Year 40 – Concession vs. Public Authority

Concession

- Been through ups and downs and survived – arguably a good deal
- Need to reinvest prior to handover
- Not much concession value left but still need to manage EBITDA
- Asset quality at handover hard to predict with any certainty (but likely in better condition than today)
- Potential for some disputes at handover
- Credit arguably largely stable as debt largely paid down

Public Authority

- "Ditto" – Year 20

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