

April 29, 2020

**Rating object**

VINCI S.A.  
Long-term Local Currency Senior Unsecured Issues

**Rating incl. outlook / watch**

A- / negative  
A- / negative

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

**Rating object**

VINCI S.A.  
Long-term Local Currency Senior Unsecured Issues

**Date of inception**

24.04.2020  
24.04.2020

**Disclosure to rated entity**

27.04.2020  
27.04.2020

**Maximum validity**

Until withdrawal  
of the rating  
Until withdrawal  
of the rating

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

**Rating summary:**

Creditreform Rating has changed the outlook of the corporate issuer rating and corporate issue rating of VINCI S.A. from stable to negative and confirmed its A- ratings.

Creditreform Rating (CRA) has changed the outlook of the unsolicited corporate issuer rating of VINCI S.A. (VINCI), as well as the unsolicited corporate issue rating of the long-term local currency senior unsecured notes issued by VINCI, from stable to negative and confirmed the ratings at A-. This change is based on an expected substantial decline in revenues, which has weakened the earnings capacity of VINCI, adversely affecting its financial metrics. The measures currently taken to contain the spread of the coronavirus are affecting both core segments of VINCI: concession and contracting.

For the concession division VINCI Autoroutes, VINCI reports in the quarterly information at 31 March 2020 that traffic levels have declined by 39% in March. Due to maintaining a basic level of economic activity in France, heavy vehicle traffic (down by 14%) has not been affected to the same extent as light vehicle traffic (down by 44%). Due to border and social restrictions in France in place since 17 March 2020, and strict social restrictions scheduled to continue until 10 May 2020, we expect a sharper decline in April. The aviation industry is one of the hardest hit by the Covid-19 pandemic: in the press release VINCI Airports – Q1 2020 traffic, VINCI reported that in February it had recorded a five percent decline in passenger numbers due to slowing demand in Asia, and in March a decline of 56% due to border restrictions and travel bans in many countries. The sharp decline started in mid-March and currently continues. It is not yet clear when an easing in air traffic will be possible, and it remains to be seen what measures airports will have to take to comply with health protection requirements. A tighter public health policy can be assumed, reducing the capacity of airports to enable social distancing and stricter hygiene measures, which would in turn reduce revenues and increase costs. In addition, we expect demand to stagnate for a longer period of time even after easing, on the one hand due to possible health risks, and on the other hand as a result of a global recession.

According to VINCI, the contracting business is particularly affected by restrictions in France, which have forced the Company to put a large number of its projects on hold. In several countries, however, it has been possible to maintain business activity - albeit only partially and with logistical difficulties - by following current health measures. Despite the crisis, the Company was able to secure a new project in April, a high-speed rail project in the United Kingdom, which will be the second-largest project in its portfolio with a value of approx. GBP 5 billion. A further positive aspect during this period of contracting business is that order intake rose by 4% and order book by 8%, reaching an all-time high. We assume, however, that due to the expected recession the order situation will partially stagnate in the second half of the year. Despite a certain level of orders in systemically important business sectors such as healthcare and telecommunications, as well as possible catch-up effects following the easing of restrictions, we assume that the negative effects of the pandemic crisis will lead to a temporary deceleration of VINCI's expansion strategy, higher leverage, and will burden liquidity.

However, despite a temporary negative trend in VINCI's financial performance, we do not expect the Company to show either significant liquidity or debt risks in the short and medium term considering its sound financial metrics, in particular its liquidity and credit facilities. As of 31 March 2020, total liquidity of VINCI amounted to EUR 15 billion, and the Group plans to achieve a total liquidity of more than EUR 18 billion. Before the health crisis, business lines recorded satisfactory growth rates, enabling stable revenues in the first quarter of 2020 compared to the first quarter in 2019. We also see the Company as well-prepared for the crisis, in part due to its prudent and transparent corporate governance policy, taking active measures to partially offset the negative effects through reducing expenditure and delaying investments in every business line.

Even though airport traffic will be affected for a longer period, in some cases contracting due to an expected global recession, about 68% of the EBITDA is generated by the robust and highly profitable concession division VINCI Autoroutes. For this division we see good chances of a rapid recovery, to a certain extent, as soon as the containment measures in France are lifted and the containment of COVID-19 virus proceeds without further surprises (e.g. rebound effects of the COVID spread). It can be assumed that traffic will be shifted onto roads for a while to avoid rail service and flying, due to health risks. We also expect catch-up effects to benefit heavy vehicle traffic, albeit only to a certain extent. Reaching pre-crisis traffic levels will depend on how quickly the French economy recovers from the shock. It should be considered that France is currently one of the worst-affected countries in Europe and that the exact duration and consequences of the shock are presently not foreseeable. As part of its regular reviews, CRA is examining further implications of the corona virus pandemic on the financials of VINCI, which could lead to further adjustments.

**Primary key rating drivers:**

- + A world leader in the concessions and construction sector
- + Good access to financial markets
- + Diversified and international business model
- + Resilience and high profitability of the business model VINCI Autoroutes
- + Sound financial metrics and particularly strong liquidity
- + Significant increase in order books
- + Measures to reduce expenses and delay investments
  
- Declining revenues expected due to border and social restrictions
- Declining revenues expected due to global recession, especially in France
- Deterioration of key financials, especially due to lower EBITDA and increased leverage
- Uncertainty regarding the extent and duration of the COVID-19 pandemic
- Prolonged restrictive demand in aviation industry
- Prolonged weakening order intakes

**ESG-criteria:**

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

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:

[https://www.creditreform-rating.de/pub/media/global/page\\_document/The\\_Impact\\_of\\_ESG\\_Factors\\_on\\_Credit\\_Ratings.pdf](https://www.creditreform-rating.de/pub/media/global/page_document/The_Impact_of_ESG_Factors_on_Credit_Ratings.pdf)

**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: A-

In the best-case scenario, we forecast a falling revenue volume against the background of the COVID 19 pandemic, lowering profitability. We assume that the social restrictions will not last longer than three months, and border restrictions and travel bans no longer than six months. The global economy will start to recover in the second half of the year. In particular, VINCI Autoroutes will recover quickly, benefitting EBITDA.

Worst-case scenario: BBB+

In the worst-case scenario, we take into account a markedly stronger decrease in revenues and earnings and significantly deteriorating key financial figures. The financial metrics are also adversely affected by higher leverage and burdened liquidity. We assume that the global economic situation is severely impaired by extended containment restrictions, slowing the recovery process, which could last up to several years.

**Analysts / Person approving (PAC):**

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**Initial rating:**

Rating object	Event	Rating created	Publication date	Monitoring until	Result
<b>Corporate issuer rating of Autoroute du Sud de la France, S.A.</b>	Initial rating	12.04.2017	24.04.2017	08.08.2019	A- / stable
<b>LT LC Senior unsecured issues</b>	Initial rating	05.10.2018	15.10.2018	08.08.2019	A- / stable

**Status of solicitation and information basis:**

The present rating is an **unsolicited** rating. The rating object participated in the creation of the rating as follows:

<b>Unsolicited Corporate Issuer / Issue Rating</b>	
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	Website
Corporate Ratings	2.3	29.05.2019	<a href="https://www.creditreform-rating.de/pub/media/global/page_document/Rating_Methodology_Corporate_Ratings_2.3.pdf">https://www.creditreform-rating.de/pub/media/global/page_document/Rating_Methodology_Corporate_Ratings_2.3.pdf</a>
Non-financial Corporate Issue Ratings	1.0	October 2016	<a href="https://www.creditreform-rating.de/pub/media/global/page_document/Rating%20Methodology%20Non-Financial%20Corporate%20Issue%20Ratings.pdf">https://www.creditreform-rating.de/pub/media/global/page_document/Rating%20Methodology%20Non-Financial%20Corporate%20Issue%20Ratings.pdf</a>
Rating Criteria and Definitions	1.3	January 2018	<a href="https://www.creditreform-rating.de/pub/media/global/page_document/CRAG_Rating_Criteria_and_Definitions_v1_3_01-2018.pdf">https://www.creditreform-rating.de/pub/media/global/page_document/CRAG_Rating_Criteria_and_Definitions_v1_3_01-2018.pdf</a>

**Regulatory requirements:**

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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: <https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

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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