

## Stock story: Atlantia

The Italian tollway and airport group holds such attractive assets it's being taken private.

**During 2021, Italian infrastructure group Atlantia agreed to sell its 88% stake in tollway-operator Autostrade per l'Italia for an estimated €8 billion. This asset was previously considered the key asset within Atlantia's business.**

This sale followed a period in which the company had found itself facing off against the Italian government due to a tragic event. In 2018, the Morandi Bridge in Genoa collapsed, killing 43 people. The bridge was managed by Autostrade under its concession agreement. Conflict with the government escalated quickly, and Rome threatened to revoke Autostrade's concession. While we considered that Atlantia at its core was a stable, quality infrastructure operation, the risks during this period created so much uncertainty we no longer considered the company a conservative and reliable infrastructure investment.

The sale of Autostrade, however, meant the quality of Atlantia's remaining assets became the focus. Furthermore, the company would now be receiving significant proceeds from the sale allowing management to undertake targeted investment opportunities and a buyback to return capital to shareholders.

Post the sale of Autostrade, the key assets for Atlantia include toll roads, airports and adjacent mobility businesses. The Abertis Group, an important operator in global toll road markets, is jointly owned by Atlantia and Spanish construction company ACS. This group controls a diversified portfolio of motorway concessions that make Atlantia responsible for the development, maintenance and operation of about 7,800 kilometres of tollways across four continents, operating in countries such as Brazil, Chile, France, India, Italy, Mexico, Spain and the US. Atlantia also holds a portfolio of toll road assets separate from its operations in Abertis, which we consider provide it with additional exposure to the long-term growth characteristics of these assets.

Another important asset for the Atlantia group is Aeroporti di Roma, which operates Rome's main airports. This is operated under a long-term agreement extending to 2046, which we think will provide an attractive long-term exposure to the global aviation market, along with the post-covid recovery in traffic.

Atlantia has also developed adjacent mobility businesses such as Telepass, which operates electronic-tolling and other transport-payment systems such as car parks and restricted traffic zones in Europe. In January this year, Atlantia bought Siemens' road traffic unit, Yunex Traffic, for €950 million. Yunex Traffic makes traffic lights and associated software systems and Atlantia took interest in this company as it provided a good fit with Atlantia's strategy to expand its technology product offerings. While Magellan does not consider these businesses to be pure infrastructure, we think assets such as Telepass have proven to be an attractive opportunity for the Atlantia business over time.

We weren't the only investors who noted the strength of Atlantia's assets post the Autostrade sale. Private-equity investors and strategic buyers soon circled. The largest shareholder on the Atlantia register, the Benetton-backed Edizione, in April this year was drawn to make an offer. Edizione teamed with US-based buyout specialist Blackstone Group to make a €19 billion bid for the remaining shares of the company.

While the buy-out offer for Atlantia has not reached a conclusion, we think the situation demonstrates the widespread appeal of high-quality infrastructure assets that provide long-term, stable and growing cash flow streams to investors.

Sources: Dunn & Bradstreet, Bloomberg and company filings.




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