



2011 U.S. Toll Road Sector Outlook

IBTTA Transportation Finance & Policy Meeting

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Moody's Rated Universe

➤ **Government-Owned Toll Roads**

- 41 rated government-owned toll roads, with approximately \$72 billion of debt at the end of 2010
- Median rating → A1
- Most carry stable outlook, 8 negative outlooks

➤ **Private Concessions**

- 4 rated private concessions
- Median rating → Baa3
- Outlook: 3 stable, 1 negative

Moody's 2011 Toll Road Sector Outlook:

➤ **The bright spots.....**

- Toll roads continue to be the most resilient of the transportation sector credits
 - Toll increases have been absorbed relatively well
 - Liquidity has remained steady and median DCOH expected to have improved for 2010
- Traffic and revenue stability has begun
- Effective governance and management have held up well through crisis

➤ **Negative outlook**

- Recognizes traffic and revenue and beginning to grow slowly, but signals the **challenges** to a steady traffic growth and stable or improving financial metrics

Moody's 2011 Toll Road Sector Outlook: Negative

➤ Economic challenges

- Moody's global Macroeconomic outlook signals sluggish and vulnerable economic recovery through 2011
- Economic growth has been slow and uneven
- Budget and debt ceiling problems loom over the prospect of recovery
- Gas prices

Moody's 2011 Toll Road Sector Outlook: Negative

- **Recession...the gift that keep on giving**
 - **Higher leverage**
 - Product of:
 - BABs and ARRA
 - The state of the state
 - Many states facing large budget deficits have turned to alternative funding sources for infrastructure needs such as toll road transfers to the general fund, or leveraging to fund non-tolled projects.

Moody's 2011 Toll Road Sector Outlook: Negative

➤ Recession...the gift that keep on giving

- Debt metrics have weakened and are with us for some time
 - Median toll road debt / mile: 2008: \$8.7 million, 2009: \$15.7 million, Expected 2010 ~\$17 million range
 - Median debt/transaction: 2008: \$8.54, 2009: \$9.48, Expected 2010~ near 2009 levels
 - Debt Ratio: 2008: 64.1%, 2009: 66.9%, Expected 2010 near 2009 figures
 - DSCR: 2008: 1.69x, 2009: 1.52x, Expected 2010 around 1.60x

Moody's 2011 Toll Road Sector Outlook: Negative

➤ VRDO Expirations 2011-2012

- Public finance sector expirations in 2011 = 1/3 of the outstanding VRDO market
- 12% of the total due in 2011 is transport sector
- Good news → Majority which expired in Q12011 were successfully extended or replaced
- Threat → Bulk of expirations in in Q2 – Q4 and then again in Q4 2012.
- Key risks to successful resolution:
 - Strength of the issuers
 - Concentration of banks in the market

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