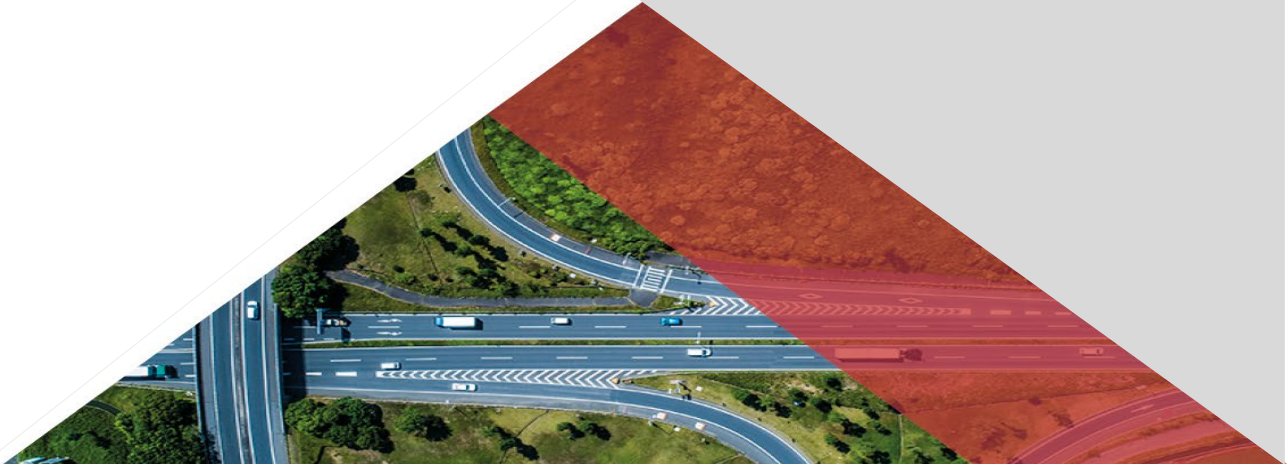




FitchRatings

# Toll Road Sector Update



April 2023

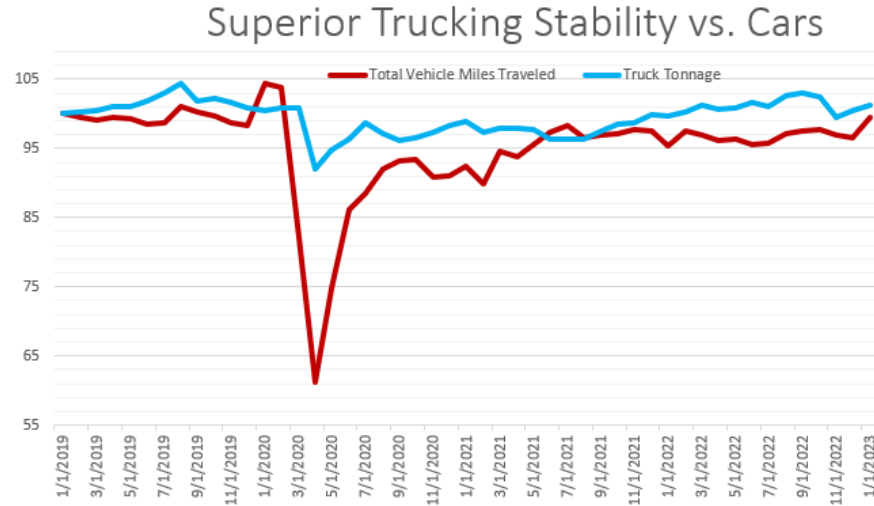
# Agenda

- Recent Traffic Performance
- Ratings Update
- Economic Update
- What's Next for Toll Roads



# Where We've Been – Historical Traffic

- Traffic in slow-growth phase
- Truck and car performance converging
  - Transition from goods to service spending
- Toll road traffic and VMT at 99% and 100% of 2019 levels
- Revenues higher than traffic

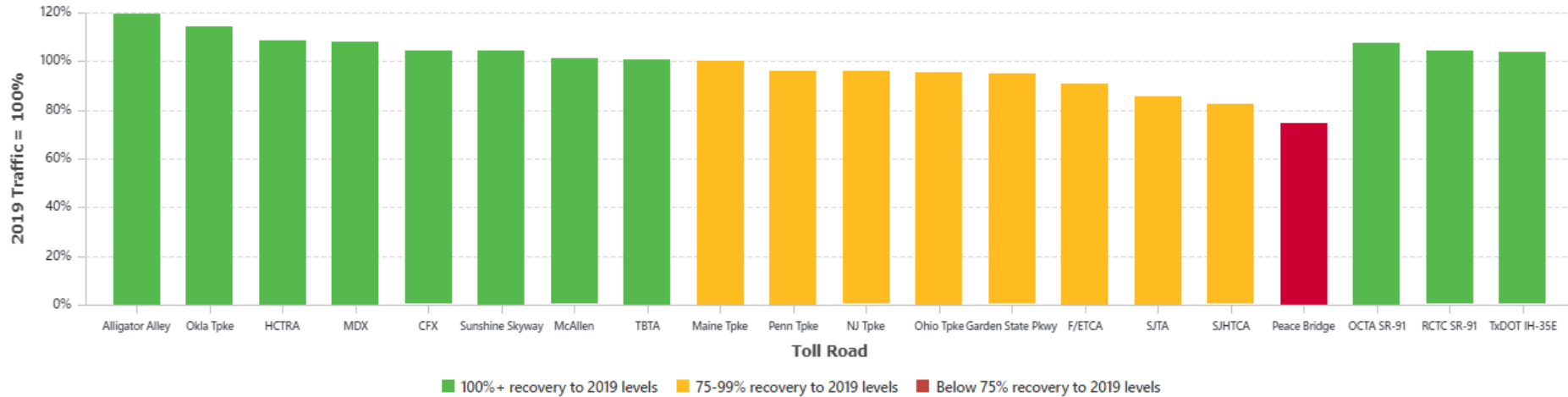


Source: U.S. Bureau of Transportation Statistics from American Trucking Association Monthly Truck Tonnage Report.  
Notes: Data is seasonally adjusted. 100 = Jan. 2019

# Where We've Been – Historical Traffic

Actual Performance (Traffic Relative to 2019)

TIME RANGE: 4Q2022



# Ratings Update

- About 20% of toll roads placed on Negative Outlook/Watch in Spring of 2020
  - 4Q22: 92% Stable Outlooks
- Subsequent positive actions:
  - TxDOT IH-35E
  - SH-288
  - Foothill/Eastern
  - Penn Turnpike
- High quality portfolio reflected in mostly IG rating distributions

Rating Actions and Outlooks

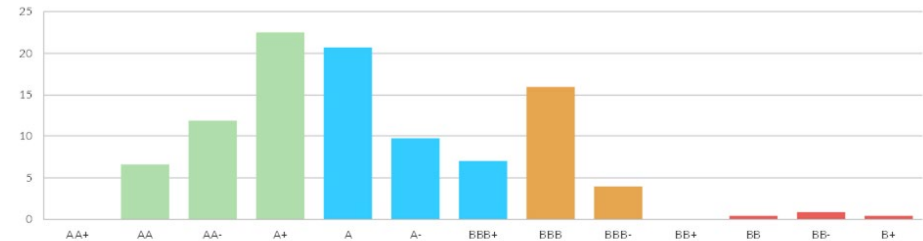


Source: Fitch Ratings

Rating Distribution

(As of March 29, 2023)

(% Security Ratings)



Source: Fitch Ratings

# Economic Update

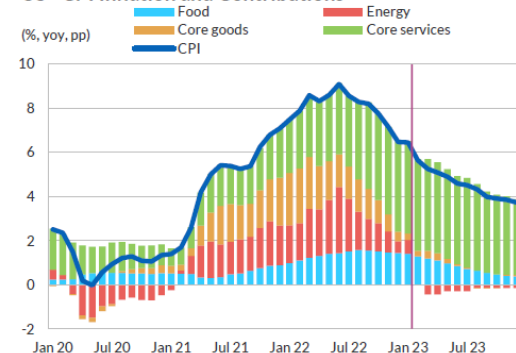
- Fed slowing the economy
  - Rising interest rates
  - Falling investment, consumer spending
  - Mild recession in 3Q23
    - Toll roads well-positioned
  - Falling yet high inflation
- Bank turbulence
  - Silicon Valley Bank, Signature Bank

## United States - Forecast Summary

(%)	Annual Avg. 2018-2022	2021	2022	2023F	2024F
GDP	2.1	5.9	2.1	1.0	0.8
Consumer spending	2.6	8.3	2.8	1.0	0.8
Fixed investment	2.5	7.4	-0.2	-1.6	1.7
Net trade (contribution pp)	-0.6	-1.7	-0.6	0.3	-0.5
CPI inflation (end-year)	3.6	7.0	6.5	3.7	2.7
Unemployment rate	4.9	5.4	3.6	4.1	5.2
Policy interest rate (end-year)	1.40	0.25	4.50	5.50	4.00
Exchange rate, USDEUR (end-year)	0.88	0.88	0.94	0.95	0.95

Source: Fitch Ratings

## US - CPI Inflation and Contributions



# What's Next for Toll Roads

- Low traffic growth ahead
  - Low economic growth and recession to come
- Cars to fare better than trucks
  - Return to office
  - Pivot back to service consumption from goods
  - Trucks exhibit more cyclical
  - High inventory levels
- High Interest Rates
  - Higher CIP costs
  - Economic refundings



# What's Next for Toll Roads

- Slowing Inflation
  - Implications for municipal roads different than P3s
  - Breather for O&M, capex
- What to Watch:
  - Potentially worse recession than projected
  - Prolonged period of high inflation
    - Mitigating Factors

