

ACRA AFFIRMS DME LIMITED AT BBB+(RU), CHANGES OUTLOOK TO STABLE, AND AFFIRMS BONDS OF DOMODEDOVO FUEL FACILITIES LTD. AT BBB+(RU)

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The outlook on the credit rating of **DME Limited** (hereinafter, the Company, the Group, the Airport, Domodedovo) has been changed from Positive to Stable due to the expected increase in interest payments amid a noticeably slower recovery of operational and financial metrics relative to the levels previously projected by the Agency. Such dynamics of operational indicators are associated with a decrease in cash inflow caused by a fall in the passenger traffic of S7 Airlines, the Airport's key customer. In 2025, the Company's liquid position will be under pressure in view of the need to refinance the corporate bond, which also has a restraining effect on the credit rating. Domodedovo's current credit rating takes into account the high assessment of the operational risk profile, which is based on the strong market position and business profile, medium level of corporate governance, and the very high credit quality of the region where the Airport operates. The Company's financial risk profile, in turn, is determined by the high leverage, weak cash flow, low debt coverage, medium liquidity, and the medium score for the size of business. The rating is supported by the high profitability.

DME Limited is a group of companies that owns and operates Domodedovo Airport, one of the largest airports in Russia in terms of passenger and cargo traffic.

KEY ASSESSMENT FACTORS

The decline in passenger traffic puts significant pressure on the Company's financial performance. In H1 2024, Domodedovo's passenger traffic decreased by more than 25% y-o-y. The main reason for this decline is the waning air traffic of S7 Airlines (the Airport's anchor carrier) due to difficulties in maintaining the fleet of foreign-made aircraft against the background of anti-Russian sanctions and the development prioritization of the airline's route network through regional airports. The Agency is of the opinion that by the end of 2024 the passenger traffic of Domodedovo will be about 16 million passengers, which is 21–22% lower than in 2023. In ACRA's view, due to the turbulent economic situation and sanctions pressure on the Russian aviation industry, the Airport's passenger traffic will recover at a moderate pace (growth by 2% annually in 2025–2026). Such air passenger traffic dynamics put significant pressure on the Company's financial performance. The Agency expects that in 2024 FFO before net interest and taxes will decrease by 14–15% vs. 2023 to RUB 10–11 bln. The operational cash flow will be supported by an increase in airport charges and fees. ACRA also notes the effective management of the Company's operating expenses in previous periods and expects the FFO before net interest and tax margin to remain at 35–40% in 2024–2026.

The leverage has remained increased and interest coverage has declined. As of June 30, 2024, Domodedovo's financial debt was represented by one issue of Eurobonds, one issue of ruble-denominated bonds, and bank loans totaling RUB 69.7 bln, which is slightly less than at the beginning of this year (RUB 71.4 bln). At the same time, against the background of a decrease in the Company's revenues in 2024, the leverage remains increased. The ratio of total debt to FFO before net interest, according to ACRA's forecast, will be within 6.0x–7.0x in 2024–2025, which approximately corresponds to the leverage at the end of 2023 (6.2x). Given that about half of Domodedovo's financial debt is represented by foreign currency obligations, further dynamics of the leverage will also largely depend on the ruble exchange rate. The ratio of FFO before net interest to interest was 2.1x at the end of 2023. ACRA expects this indicator to weaken due to rising interest rates and a fall in the Company's operational cash flow. According to the Agency's estimates, the ratio of FFO before net interest to interest will decrease to 1.3–1.5x by the end of 2024 and remain in this range in 2025–2026.

Increased pressure on liquidity and weak cash flow. A decrease in the Company's operational metrics in H1 2024 with increased interest expenses and significant dividend payments had a negative impact on the free cash flow (FCF). The volume of dividends paid in 2023 (RUB 5 bln) turned out to be higher than the level expected by the Agency (RUB 2.7 bln). In H1 2024 the Company's dividend payments amounted to RUB 1.4 bln. ACRA expects that FCF will be negative in 2025–2026, if capital expenses increase as planned and annual dividend payments remain at the level of RUB 3 bln. The Company's liquidity position will be under pressure in the medium term, taking into account the negative FCF and the upcoming repayment of the Company's ruble-denominated bonds in 2025.

KEY ASSUMPTIONS

- The Airport's passenger traffic to grow by 2% annually in 2025–2026.
- Annual dividend payments no higher than RUB 3 bln in 2024–2026.
- Annual average USD/RUB exchange rate at 90–100 in 2024–2026.
- Access to external liquidity sources to refinance the debt portfolio.

POTENTIAL OUTLOOK OR RATING CHANGE FACTORS

The **Stable outlook** assumes that the rating will highly likely stay unchanged in the 12–18-month horizon.

A positive rating action may be prompted by:

- Decline in the weighted average ratio of total debt to FFO before net interest stably below 6.0x;
- Weighted average ratio of FFO before net interest to interest stably exceeding 2.5x and successful refinancing the forthcoming repayments.

A negative rating action may be prompted by:

- Weighted average ratio of FFO before net interest to interest declining below 1.0x;
- Weighted average short-term liquidity indicator declining below 1.0x on the back of deteriorating access to sources of external liquidity or persistent use of short-term debt instruments.

RATING COMPONENTS

Standalone creditworthiness assessment (SCA): **bbb+**.

Support: none.

ISSUE RATINGS

Bond issued by Domodedovo Fuel Facilities Ltd., series 002P-01 (RU000A105MP6), maturity date: December 16, 2025, issue volume: RUB 15 bln — BBB+(RU).

Rationale. The bond issue is senior unsecured debt obligations of Domodedovo Fuel Facilities Ltd., which is an operational subsidiary of DME Limited. The credit rating was assigned on the basis of public irrevocable offers from DME Limited as a holding company and from the holding company's key operational companies generating the bulk of the Group's cash flow, as well as Hacienda Investments Limited LLC (Cyprus), a balance sheet holder of assets. Due to the absence of structural and contractual subordination of the issue, ACRA ranks this bond issue *pari passu* with other existing and future unsecured and unsubordinated obligations of the Company. In accordance with ACRA's methodology, the Agency used the detailed approach. According to ACRA's calculations, the loss recovery rate on Domodedovo's unsecured debt belongs to category II, and therefore, the credit rating of the issue is on par with the credit rating of Domodedovo — BBB+(RU).

REGULATORY DISCLOSURE

The credit ratings of DME Limited and the bond (ISIN RU000A105MP6) issued by Domodedovo Fuel Facilities Ltd., a subsidiary of DME Limited, have been assigned under the national scale for the Russian Federation based on the [Methodology for Credit Ratings Assignment to Non-Financial Corporations Under the National Scale for the Russian Federation](#) and the [Key Concepts Used by the Analytical Credit Rating Agency within the Scope of Its Rating Activities](#). The [Methodology for Assigning Credit Ratings to Financial Instruments on the National Scale for the Russian Federation](#) was also applied to assign credit rating to the above issue.

The credit ratings of DME Limited and the bond (ISIN RU000A105MP6) issued by Domodedovo Fuel Facilities Ltd. were published by ACRA for the first time on November 29, 2017, and December 20, 2022, respectively. The credit rating and outlook of DME Limited and the credit rating of the bond (ISIN RU000A105MP6) issued by Domodedovo Fuel Facilities Ltd. are expected to be revised within one year following the publication date of this press release.

The credit ratings were assigned based on data provided by DME Limited, information from publicly available sources, and ACRA's own databases. The credit ratings are solicited, and DME Limited participated in their assignment.

In assigning the credit ratings, ACRA used only information, the quality and reliability of which were, in ACRA's opinion, appropriate and sufficient to apply the methodologies.

ACRA provided no additional services to DME Limited and Domodedovo Fuel Facilities Ltd. No conflicts of interest were discovered in the course of credit rating assignment.

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