

Autobahnen- und Schnellstrassen-Finanzierungs-AG

June 21, 2023

This report does not constitute a rating action.

Credit Highlights

Overview

Key strengths

Almost certain likelihood of receiving timely and sufficient extraordinary support from the Austrian government if needed.

Undisputed monopoly position as Austria's motorway operation and construction company.

A Euro medium-term note (EMTN) program that is supported by a full, explicit, unconditional, and irrevocable guarantee from the Austrian government.

Key risks

Limited financial flexibility due to the tight legal, planning, and control framework imposed by the Austrian government.

High debt.

S&P Global Ratings believes that the legal framework for Autobahnen- und Schnellstrassen-Finanzierungs-AG (ASFINAG) will continue to allow the company to fully finance its operations. We continue to view the likelihood of extraordinary government support for ASFINAG from Austria (AA+/Stable/A-1+) as almost certain. This leads us to equalize the ratings on ASFINAG with those on Austria.

ASFINAG's importance for the sovereign is underpinned by its monopoly position in providing financing, construction, maintenance, and operation of the entire Austrian network of motorways and high-speed roads. The company is incorporated under the ASFINAG Law, which states that the Austrian government is responsible for ensuring that ASFINAG can finance its operations and capital investments.

We currently do not see any transition risk regarding ASFINAG's role for and link with the government. We believe that there is no doubt regarding the Austrian government's continuous willingness and propensity to support ASFINAG, as outlined in our assessment of ASFINAG's critical role for and integral link with its sole owner, the government of Austria.

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Outlook

The stable outlook on ASFINAG reflects our assessment of the creditworthiness of the company's sole owner and guarantor, the government of Austria. Any rating action on Austria would lead us to also reassess our rating on ASFINAG. We also consider ASFINAG's strategic importance for the government and expect that neither the likelihood of extraordinary support, the guarantee, nor the legal framework for ASFINAG will change significantly. We believe the company will maintain its monopoly position and that there is no risk of privatization.

Downside scenario

We would lower the ratings on ASFINAG if we lowered the rating on Austria. A change in our assessment of the likelihood of support from the Austrian federal government would also trigger a downgrade. Should there be a change in law, privatization plans, or a refusal of future guarantees, we could reassess the company's role for and link with the government. However, we currently view these developments as unlikely.

Upside scenario

We could raise the rating if Austria's creditworthiness strengthened, leading to a positive rating action on the sovereign, and the likelihood of support for ASFINAG remained almost certain.

Rationale

Our view of an almost certain likelihood that ASFINAG would receive timely and support extraordinary support from the Austrian government if needed stems from our assessment of ASFINAG's:

- Critical role for Austria as its sole agent for the construction and operation of the country's motorways and high-speed road network; and
- Integral link with the government as a wholly owned subsidiary that is subject to a tight legal, planning, and control framework.

In our assessment, we do not separately assign a stand-alone credit profile for ASFINAG because we view the likelihood of extraordinary government support as unlikely to change within a reasonable timeframe. Hence we currently see no transition risk with respect to ASFINAG's role for and the link with the Austrian government.

The company is incorporated under the ASFINAG Law, which states that the Austrian government is responsible for ensuring that ASFINAG has sufficient funds at all times to protect its liquidity and equity and pursue its agreed activities. The Austrian government, as the company's sole owner, exercises operational, management, and financial control over ASFINAG and approves its budget. This means that the degree of effective government control of and support for ASFINAG are both substantial. Government support is provided through full, explicit, unconditional, and irrevocable government guarantees for ASFINAG's €12.0 billion EMTN program, which is ASFINAG's main source of debt financing. The program is usually extended annually (as part of Austria's budget law), including a predetermined drawing amount.

Every year, the Austrian ministry of finance, in cooperation with ASFINAG, sets a maximum amount for the company's refinancing and new issuance. The respective amount is incorporated in the federal financing law and set conservatively, covering ASFINAG's financing needs very adequately. In 2023, this includes €0.5 billion for capital financing as well as €0.5 billion for interest and other expenditure. ASFINAG is usually able to almost fully finance its construction program with its own cash flows and typically needs to tap capital markets only to refinance maturing debt.

ASFINAG's performance will likely remain resilient to inflation risks after recovering significantly in 2022

In 2022, ASFINAG continued its post-pandemic recovery. While truck traffic related revenue had already fully recovered in 2021, last year saw only minimal growth of truck toll revenue of 1.3%. However, 2022 was highlighted by a substantial recovery of sticker revenue (up 13.2%) as well as special toll revenue (up 30.6%). Total toll revenue increased by about 6.0% after a recovery of 10.6% in 2021, with ASFINAG's profit ring substantially to €851 million from €755 million. We believe the development of ASFINAG's revenue and profits will remain favorable in 2023, even if inflation in Austria remains close to 7% (6.8%).

ASFINAG continued to build its liquidity buffers in 2022, with year-end free cash flow at €430 million. The company currently benefits from interest on its roughly €500 million short-term investments. Because there are virtually no long-term debt maturities in 2023, we currently assume that ASFINAG will not require additional financing this year. The next long-term maturity of €1 billion is due in 2024 and will most likely be covered by equivalent refinancing. According to the company's plans, its total debt will increase slightly to €10.75 billion by 2025 from €10.55 billion in 2022, before starting to decrease again in the following years. We believe the company's planning to be prudent and reliable. Looking ahead, we foresee increasing refinancing costs for ASFINAG, in line with those for the sovereign, given recently observed or anticipated tighter monetary policies globally. Additional financial pressure stems from significantly increasing costs for construction. However, we don't expect this to have an impact on the rating over the medium term because the rating is based on ASFINAG's role for and link with the Austrian government.

Only a change in law would allow for a change in ASFINAG's legal framework, which we consider unlikely over the medium term

ASFINAG is an incorporated company that is fully owned by Austria's federal government, as is required by the ASFINAG Law. Founded in 1982, the company was reformed and given its present structure and function in 1997. ASFINAG is a monopoly responsible for the financing, construction, maintenance, and operation of Austria's network of motorways and high-speed roads.

According to contractual agreements, ASFINAG has the unlimited usufruct (the legal right to use and derive profit or benefit from property that belongs to another, as long as the property is not damaged) over Austria's motorways and high-speed road network, although both remain the property of Austria. This entitles the company to the revenue generated from the road network, namely through tolls, usage fees, fines issued, and the operation of service areas. The contract is of unlimited duration, and the government abstained from cancellation rights in 2007 that were included in a previous contract. ASFINAG has the right to cancel the contract at the end of each quarter, with a three-month notice period, should the government set tolls at a level the company considers unsustainable. If ASFINAG cancels the usufruct contract, the government would have to assume the liabilities resulting from ASFINAG's obligations, as defined in the contract.

The majority of members on ASFINAG's supervisory board are appointed by the government, which also approves the company's budget. The government directly controls large parts of ASFINAG's expenditure and revenue, and thereby also its profitability and ability to control its debt. In addition, ASFINAG's construction expenditure is effectively controlled through the government's right to set targets for construction and safety measures. On construction and maintenance, ASFINAG has to follow a multi-year investment program, coordinated and agreed with the government. Both ASFINAG and its sole owner, the government of Austria, recognize the potential risks of cyber attacks and constantly identify, monitor, and assess these risks since the company is a critical infrastructure provider. The company also employs an active cyber strategy that should mitigate the credit risk impact from cyber attacks to the extent possible.

Autobahnen- und Schnellstrassen-Finanzierungs-AG

Working under a multi-year framework, which is agreed upon annually and currently in effect for 2023-2028, ASFINAG's revenue is highly predictable under most circumstances, owing to moderate but continuous traffic growth over the cycle. Price increases are regulated by law (Bundesmautstraßengesetz) but volume projections depend on ASFINAG's assumptions, which affect revenue projections. Toll revenue projections (stickers and truck tolls) are indexed according to the harmonized consumer price index. Under the current medium-term plan, the company aims to pay an annual dividend of €200 million to the Austrian government to fulfill the government's dividend expectations.

Political discussions on how to use ASIFNAG's profits, which are currently allocated to new road construction, are relatively frequent. However, at present, we do not see this as having any implications for ASFINAG's status as one of Austria's most important government-related entities. In our view, a change in the company's setup, to an extent that could have an impact on our ratings, is unlikely over the medium term.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Sovereign Risk Indicators, April 10, 2023, an interactive version available at <http://www.spratings.com/sri>.
- Austria, Feb. 27, 2023
- Economic Outlook Eurozone Q2 2023: Rate Rises Weigh On Return To Growth, Feb. 27, 2023
- Outlooks Revised To Stable From Positive On Five Austrian Government-Related Entities After Austria Outlook Revision, Aug. 29, 2022

Ratings Detail (as of June 21, 2023)*

Autobahnen-und Schnellstrassen-Finanzierungs-AG

Issuer Credit Rating AA+/Stable/A-1+

Issuer Credit Ratings History

29-Aug-2022	AA+/Stable/A-1+
01-Mar-2022	AA+/Positive/A-1+
30-Jan-2013	AA+/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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