

Autobahnen- und Schnellstrassen-Finanzierungs-AG

June 14, 2022

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.

Debt issuance via 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.

Very high debt.

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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+/Positive/A-1+) as almost certain. This leads us to equalize the ratings ASFINAG with those on Austria.

ASFINAG's monopoly position supports the importance of its business for the sovereign. ASFINAG is responsible for the 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.

In our view, there is currently no transition risk regarding ASFINAG's role for and link to 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.

Outlook

The positive outlook on ASFINAG reflects our assessment of the creditworthiness of the company's sole owner and guarantor, the government of Austria, as well as our view that neither the likelihood of extraordinary support, the guarantee, nor the legal framework for ASFINAG will change significantly. Any rating action on Austria would lead us to also reassess our rating on ASFINAG.

We would raise the ratings on ASFINAG if:

- Our sovereign ratings on Austria are raised, and if,
- At the same time, the likelihood of extraordinary support from the sovereign remains almost certain.

Downside scenario

We would revise the outlook on ASFINAG to stable if we stake similar action on Austria. A change in our assessment of the likelihood of support for ASFINAG from the Austrian federal government could trigger a downgrade. Should there be a change in law, privatization plans, or refusal of future government guarantees, we could reassess the company's role for and link with the government. However, we currently view such developments as unlikely.

Rationale

We base our ratings on ASFINAG on our opinion that there is an almost certain likelihood that the government of Austria would provide timely and sufficient extraordinary support to ASFINAG in the event of financial distress. In accordance with our criteria for rating government-related entities (GREs), our view of an almost certain likelihood of extraordinary government support is based on 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.

We do not assess 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 degree of effective government control of and support for ASFINAG are both substantial. 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. Government support is provided through full, explicit, unconditional, and irrevocable government guarantees for ASFINAG's €12.0 billion EMTN program, which is its 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 2022, this includes €1.2 billion for capital financing as well as €1.2 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 prove resilient to elevated risks from the Russia-Ukraine war, including higher fuel prices and lower projected economic growth

In 2021, ASFINAG recovered to a large degree from the negative impact of the coronavirus pandemic, which has been relatively moderate overall. Total toll revenue rebounded by 10.6%, above pre-pandemic levels in nominal terms, after a decline of 6.9% in 2020. This was mainly thanks to strong growth in truck traffic, resulting in truck toll revenue increasing by 10.5% in 2021, which accounted for more than 54% of ASFINAG's total revenue. Special toll revenue (+26.3%) and sticker revenue (+6.2%), also recovered to a large degree in 2021 after more pronounced declines in relative terms during the pandemic in 2020. ASFINAG's profit rose slightly to €755 million from €742 million in 2020. We believe that the development of ASFINAG's revenue and profits will remain favorable in 2022, despite the implications from the Russia-Ukraine war on economic growth and a potential negative impact on traffic volumes due to higher fuel prices.

ASFINAG has built up liquidity buffers during the pandemic, issuing two bonds in 2020 totaling €1.25 billion. In 2021, new issuance declined significantly to €500 million, which is closer to levels observed before the pandemic. No new bonds have been placed in the market so far in 2022, but we expect ASFINAG to refinance a bond amounting to €1 billion, that will mature later this year, likely with a new issuance. Looking ahead, we foresee increasing refinancing costs for ASFINAG, in line with those for the Austrian 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.

A change in ASFINAG's legal framework would require a change in law, 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.

Autobahnen-und Schnellstrassen-Finanzierungs-AG

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.

Working under a multi-year framework, which is agreed upon annually and currently in effect for 2022-2027, 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 ASFINAG'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 GREs. In our view, a change in the company's setup, to an extent which 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

- Austria Outlook Revised To Positive On Budgetary Consolidation Prospects; 'AA+/A-1+' Ratings Affirmed, Feb. 25, 2022
- Sovereign Risk Indicators, April 11, 2022, an interactive version available at <http://www.spratings.com/sri>.
- Economic Outlook Eurozone Q2 2022: Healthy But Facing Another Adverse Shock, March 27, 2022
- Eurozone Economic Outlook 2022: A Look Inside The Recovery, Nov. 29, 2021
- Austria-Based Asfinag Outlook Revised To Positive After Same Action On Sovereign; 'AA+/A-1+' Ratings Affirmed, March 1, 2022

Ratings Detail (as of June 14, 2022)*

Autobahnen-und Schnellstrassen-Finanzierungs-AG

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

Issuer Credit Ratings History

01-Mar-2022	AA+/Positive/A-1+
30-Jan-2013	AA+/Stable/A-1+
17-Jan-2012	AA+/Negative/A-1+

Ratings Detail (as of June 14, 2022)*

*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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