

## CREDIT OPINION

7 June 2021

 Rate this Research

### RATINGS

#### Autobahnen-Und Schnellstrassen Finanzierungs

Domicile	Austria
Long Term Rating	Aa1
Type	Senior Unsecured - Dom Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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# Autobahnen- und Schnellstrassen-Finanzierungs-Aktiengesellschaft (Austria)

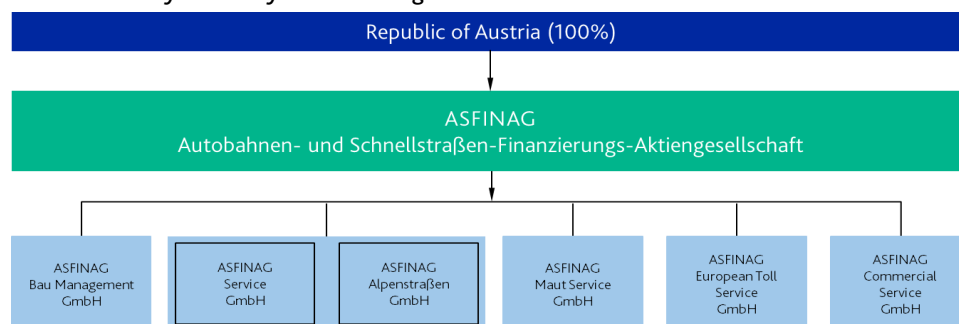
Update to credit analysis

## Summary

The credit profile of [Autobahnen- und Schnellstrassen-Finanzierungs-Aktiengesellschaft](#) (ASFINAG, Aa1 stable) reflects the full, explicit, direct, unconditional and irrevocable guarantee for its debt from the [Government of Austria](#) (Aa1 stable). Therefore, we rate ASFINAG's sovereign-guaranteed euro medium-term notes (EMTN) and its EMTN programme at the same level as the Austrian sovereign rating.

Exhibit 1

### ASFINAG is fully owned by the Austrian government



Source: ASFINAG

## Credit strengths

- » Guaranteed debt and full ownership by the Austrian government
- » Role as implementer of the government's expressway network plans, ministry representation on the supervisory board and budget control

## Credit challenges

- » Relatively high leverage
- » Low revenue and expenditure flexibility

## Rating outlook

The stable outlook on ASFINAG's debt and EMTN programme's rating reflects the outlook on the rating of its guarantor, the Austrian government.

## Factors that could lead to an upgrade

ASFINAG's backed senior unsecured debt and EMTN programme rating would be upgraded in case of an upgrade of the Austrian sovereign rating.

## Factors that could lead to a downgrade

ASFINAG's backed senior unsecured debt and EMTN programme's rating would be downgraded in case of a downgrade of the Austrian sovereign rating. Any weakening of the government guarantee would also lead to a rating downgrade.

## Key indicators

Exhibit 2

### Autobahnen- und Schnellstrassen-Finanzierungs-Aktiengesellschaft

	2016	2017	2018	2019	2020	2021 E	2022 E
Earnings Before Interest and Taxes (EUR millions)	1,144	1,253	1,358	1,392	1,193	1,071	1,183
Operating Margin (%)	48.68	50.01	52.91	50.26	46.13	50.57	52.56
EBIT / Interest Payable	3.5x	3.9x	5.1x	5.6x	5.5x	5.5x	5.9x
Financial Debt / EBITDA	8.8x	7.7x	7.1x	6.7x	7.9x	9.4x	8.4x
Financial Debt / Equity	2.3x	2.0x	1.7x	1.5x	1.4x	1.4x	1.3x
Liquidity (Current Assets % Current Liabilities)	22.47	29.37	25.40	16.60	36.91	15.09	27.27

Figures for 2021 and 2022 are estimated values. Source: Issuer, Moody's Investors Service

## Detailed credit considerations

We rate ASFINAG's sovereign-guaranteed EMTN programme and notes at the same level as the Austrian sovereign rating. The EMTN programme benefits from a full, explicit, direct, unconditional and irrevocable guarantee from the Austrian government.

### Guaranteed debt and full ownership by the Austrian government

The unconditional and irrevocable guarantee provided by the Austrian government to ASFINAG's €12 billion EMTN programme enables the company to seek funding under favourable conditions on the capital markets. Given these conditions and the fact that the EMTN programme fulfills the entity's funding needs, it does not need to look for additional channels, for example, funding through the Austrian Federal Treasury (OeBFA).

ASFINAG is 100% owned by the Austrian government. As of year-end 2020, it was the holding company of six operating companies and employed 2,967 staff. We do not expect any changes in entity's ownership structure over the planning horizon of the next five years. The motorway system is an integral part of the state infrastructure, thus there is no political plan to privatise the company in the foreseeable future.

In 2007, the state took two major steps that have financially benefited ASFINAG, reflecting the ongoing support for the company. The government signed a contract with the entity to grant it the usufruct over the Austrian road network, allowing it to discount depreciation that would otherwise have been necessary following the implementation of the new IFRS accounting rules. In addition, the government introduced legislation stipulating that ASFINAG's toll revenue must correlate with the annual consumer price index from 2008 onwards.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

### Role as implementer of the government's expressway network plans, with ministry representation on the supervisory board and budget control

The company is responsible for planning, financing, building and maintaining the Austrian motorway and high-speed road network, which is 2,249 kilometres long. It is also in charge of road safety and traffic management. Because the company is responsible for implementing projects under the long-term infrastructure plan of the ministry in charge of transport affairs (since 2020, the Ministry of Climate, Environment, Energy, Mobility, Innovation and Technology), the ministry is required to allocate sufficient funds to ASFINAG.

The close link between the company and the Austrian government is further demonstrated by the government's supervision and involvement in the company's operations. The government is represented on ASFINAG's supervisory board through representatives of the ministry. The government is responsible for approving the company's budget and reviewing its quarterly reports, including the status of its debt. The Austrian Parliament sets the ceiling for the amount of guaranteed debt that the entity can raise annually.

### Relatively high leverage

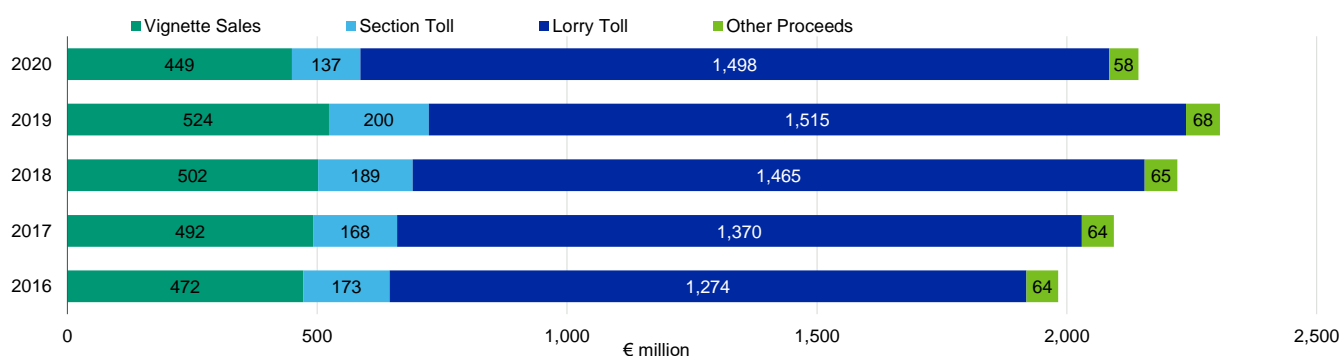
ASFINAG's balance sheet is progressively growing because of the peculiar financing mechanism. The group's financial debt was €10.1 billion as of year-end 2020, almost back to the 2018 level from €9.8 billion in 2019, although net debt adjusted by cash reserves continued to slightly decline to €9.7 billion. Outstanding debt largely consists of drawdowns of the existing government-backed €12 billion EMTN programme. In addition to the direct debt exposure, there is a public-private partnership that has a debt of around €0.6 billion. Interest-rate risk is limited, with only 1% of the debt being at variable rates in 2020, while a foreign-exchange swap contract to euro is in place with the OeBFA as counterparty to avoid foreign-currency risk. The repayment schedule looks rather balanced, at least for the next few years, with €1 billion of long-term debt maturing in 2022. This year's maturity was already successfully refinanced.

### Low revenue and expenditure flexibility

The company can propose new toll charges, but the central government must approve the changes. Over the last few years, revenue has grown steadily because of economic growth, increase in traffic and the indexation of toll prices. This growth was temporarily interrupted in 2020 (see Exhibit 3) because of the coronavirus pandemic, which led to a significant decrease in road traffic. The 6% revenue shortfall stemming from lower traffic in 2020 caused a significant 14% decrease of the company's earnings from the level a year earlier, but to a much lower extent than originally expected. Traffic level in 2021 is likely to be below the 2019 level.

Exhibit 3

#### ASFINAG's revenue fell significantly because of the lower traffic during the pandemic in 2020



Source: Issuer, Moody's Investors Service

ASFINAG has the right to collect tolls, or road use charges, but it does not own the infrastructure in accordance with the terms of the usufruct contract. Since 1997, it has been able to charge fees and tolls from vignettes for the use of roads. From 2004, its powers were further enhanced to allow it to charge toll for lorries based on the distance.

According to the updated plan, the company's investments will peak in 2025 because of a bigger construction programme, culminating in investments worth €1.6 billion in that year. A considerable portion of the investment is used to improve the project quality to address environmental issues (including also the development of charging infrastructure) or introduce noise reduction measures.

## ESG considerations

### How environmental, social and governance (ESG) risks inform our credit analysis of ASFINAG

We take into account the effect of ESG factors when assessing sub-sovereign issuers' economic and financial strength. In the case of ASFINAG, the significance of ESG factors to the credit profile is as follows:

Environmental risks are not significant to ASFINAG's rating. There are several natural hazards (like avalanche, earthquake, flood, landslide, stone or wind damage) that could mean environmental risk for the road network and infrastructure, nevertheless, these risks are not significant to the rating because of the company's strategic role and the support of the federal government.

Social risks are not material to the rating because of the company's support and guarantee from the Austrian government, which would manage any potential social issues such as the need for extension of the road network. However, we do view the coronavirus pandemic as a social risk under our ESG framework because of the substantial implications for public health and safety. For ASFINAG, the shock transmits mainly through lower revenue because of a significant drop in traffic.

Governance risks are material to ASFINAG's rating. The company is responsible for implementing the government's plans. However, the governance framework is intrinsically intertwined with the supporting government, which exerts decision-making power and strong oversight of the entity.

Further details are provided in the "Detailed credit considerations" section above. Our approach to ESG is explained in our cross-sector methodology [General Principles for Assessing Environmental, Social and Governance Risks](#).

### Rating methodology

We rate ASFINAG's backed senior unsecured debt and EMTN programme at the same level as its guarantor, the Austrian government, because of the full, explicit, direct, unconditional and irrevocable guarantee from the central government. For details about our rating approach, please refer to the [Rating Transactions Based on the Credit Substitution Approach: Letter of Credit-backed, Insured and Guaranteed Debts](#) methodology, published in May 2017.

## Ratings

Exhibit 4

Category	Moody's Rating
<b>AUTOBAHNEN-UND SCHNELLSTRASSEN FINANZIERUNGS</b>	
Outlook	Stable
Bkd Senior Unsecured -Dom Curr	Aa1

Source: Moody's Investors Service

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