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Autobahnen-und Schnellstrassen-Finanzierungs-AG

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Autobahnen-und Schnellstrassen-Finanzierungs-AG

Major Rating Factors

Issuer Credit Rating

AA+/Stable/A-1+

Strengths:	Weaknesses:
<ul style="list-style-type: none">• Almost certain likelihood of receiving timely and sufficient extraordinary support from the Austrian government if needed.• Continued monopoly position as Austria's road operation and construction company.• A euro medium-term note (EMTN) program that benefits from a full, explicit, unconditional, and irrevocable guarantee from the Austrian government.	<ul style="list-style-type: none">• Limited financial flexibility due to the government's tight legal, planning, and control framework.• High debt.

Outlook

The stable outlook on Autobahnen-und Schnellstrassen-Finanzierungs-AG (ASFINAG) reflects S&P Global Ratings' 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 lower 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

We believe there is an almost certain likelihood that Austria (AA+/Stable/A-1+) 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 with a monopoly position as constructor and operator of the Austrian motorway 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, with no transition risk.

The government's support and control of ASFINAG are significant. 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 government, as ASFINAG's sole owner, exercises operational, management, and financial control over ASFINAG and approves the company's budget.

In addition, the ratings reflect our assessment of strong explicit government support provided through timely, 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 drawings amount. Both the program and the master guarantee were recently updated.

We note that ASFINAG can almost fully finance its construction program with its own cash flows and needs to tap capital markets only for refinancing. Every year, the Austrian ministry of finance, in cooperation with ASFINAG, sets a maximum amount for the company's refinancing and new issuance that is explicitly guaranteed by the Austrian government. The respective amount is incorporated in the federal financing law and set conservatively, covering ASFINAG's financing needs very adequately. In 2021, this includes €1.4 billion for capital financing as well as €1.4 billion for interest and other expenditure.

COVID-19-related revenue shortfalls are lower than expected

Contrary to previous expectations, the pandemic's impact on ASFINAG's revenues has been relatively moderate. This was mainly due to the slight decline in truck traffic, resulting in truck toll revenue weakening by only 1% in 2020 compared with 2019. Trucks account for more than 56% of ASFINAG's total revenue, allowing the company to contain the revenue shortfall to a total of roughly €160 million compared with the previous year. The more significant decline in special toll revenues (-31%) as well as sticker revenues (-14%) had only a limited effect on ASFINAG's overall 2020 performance, since they amounted to 22% of overall revenue. ASFINAG's profit amounted to €752 million in 2020 compared with €864 million in 2019, which was not as steep a decline as we had anticipated, partly due to expenditure being curtailed. Nevertheless, profitability remained relatively strong compared with profits of €709 million in 2017.

We note that ASFINAG issued considerably more debt in 2020, totaling €1.25 compared with €600 million in 2019, despite an insignificant difference in maturities in both years. Given the unforeseeable character of the COVID-19 pandemic, we recognize that this increase in new borrowing was mainly to generate additional liquidity buffers. Borrowing should return to prepandemic levels this year, with one bond at €500 million already placed in the market. The next considerable maturity, of €1 billion, is due in 2022. We expect this debt to be refinanced with new borrowing, probably at a more advantageous interest rate. We note that ASFINAG's debt issuance is eligible for the quantitative easing program that the European Central Bank implemented in March 2015.

A change in ASFINAG's legal framework would require a change in law, which we currently consider unlikely

Founded in 1982, ASFINAG is an incorporated company that is fully owned by Austria's federal government, as is required by the ASFINAG Law. It 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. Political discussions on how to make use of ASFINAG's profits, which are currently used for new road construction, are relatively frequent. However, we do not see this as having any implications for ASFINAG's status as one of Austria's most important GREs. We therefore believe that a change in the company's setup currently seems unlikely.

According to contractual agreements (usufruct contract; the legal right to use and derive profit or benefit from property that belongs to another, as long as the property is not damaged), ASFINAG has the unlimited usufruct over the motorway 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 and usage fees, fines issued, and the operation of service areas. The contract is of unlimited duration, and the government abstained from any cancellation rights in 2007, which were included in a previous contract. ASFINAG has the right to cancel the contract at the end of each quarter, respecting 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 government plays a very dominant and directly supportive and controlling role in ASFINAG's operations. The majority of members on the company'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. 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.

ASFINAG's revenue is highly predictable under most circumstances, owing to moderate but continuous traffic growth over the cycle. Although ASFINAG proposes tolls and usage fees, these are set by the government, which gives the state control over almost all ASFINAG's revenue. 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 €165 million to the Austrian government to fulfill the government's dividend expectations.

Selected Indicators

Table 1

Autobahnen- und Schnellstrassen-Finanzierungs-Aktiengesellschaft Consolidated IFRS Balance Sheet*								
--Year ended Dec. 31--								
Mil. €	2020	2019	2018	2017	2016	2015	2014	2013
Total assets	18,307	17,455	17,084	16,510	16,197	15,650	15,217	14,814
Non-current assets	17,607	17,089	16,545	16,162	15,697	15,324	14,909	14,466
--of which usufructuary title	15,344	14,939	14,749	14,250	13,783	13,607	13,073	12,860
--of which down payment on usufruct	1,264	1,164	845	973	999	770	911	741
Current assets	700	366	545	367	500	326	307	347
--of which cash and equivalents	304	26	167	12	179	17	23	61
Equity	7,114	6,537	5,839	5,185	4,575	4,061	3,613	3,294
Liabilities	11,193	10,918	11,245	11,325	11,622	11,589	11,604	11,520
--of which LT and ST liabilities from bonds	8,100	7,850	8,250	8,250	8,800	8,800	9,055	9,305
--of which LT and ST liabilities from loans	1,952	1,950	1,902	1,991	1,940	2,057	1,750	1,535
--of which LT and ST trade and other payables	368	360	371	365	340	249	270	254
--of which other liabilities	773	758	722	719	542	483	529	426

*unadjusted by S&P. LT--Long term. ST--Short term. IFRS--International Financial Reporting Standards. GAAP--Generally accepted accounting principles.

Table 2

Autobahnen- und Schnellstrassen-Finanzierungs-Aktiengesellschaft Consolidated IFRS Income Statement*								
--Year ended Dec. 31--								
Mil. €	2020	2019	2018	2017	2016	2015	2014	2013
Revenues	2,756	2,923	2,702	2,648	2,494	2,422	2,354	2,166
--of which revenues from invoicing to Republic of Austria	497	501	368	438	402	392	381	326
--of which sticker revenues	449	524	502	492	472	449	428	406
--of which special toll revenues	137	200	189	168	173	157	155	147
--of which truck toll revenues	1,498	1,515	1,465	1,370	1,274	1,253	1,242	1,135
--of which section control service	34	33	32	32	32	31	29	26
--of which from rent/lease	25	34	33	32	32	30	31	32
--of which other revenues	116	116	113	116	110	111	87	94
Operating expenses	(1,484)	(1,454)	(1,273)	(1,324)	(1,280)	(1,278)	(1,239)	(1,054)
--of which expenses for raw materials, consumables, and services	(1,104)	(1,071)	(890)	(953)	(918)	(925)	(912)	(730)
--of which personnel expenses	(212)	(210)	(199)	(189)	(188)	(180)	(175)	(171)
EBIDTA	1,272	1,469	1,430	1,324	1,214	1,145	1,115	1,112
Depreciation and amortization	(79)	(77)	(72)	(71)	(70)	(68)	(63)	(62)
EBIT	1,193	1,392	1,358	1,253	1,144	1,076	1,052	1,053
Financial result	(134)	(145)	(158)	(203)	(326)	(348)	(360)	(424)

Table 2

Autobahnen- und Schnellstrassen-Finanzierungs-Aktiengesellschaft Consolidated IFRS Income Statement* (cont.)								
Mil. €	--Year ended Dec. 31--							
	2020	2019	2018	2017	2016	2015	2014	2013
Profit for the period	742	864	824	709	615	549	519	471

*Unadjusted by S&P Global Ratings. IFRS--International Financial Reporting Standards.

Table 3

Autobahnen- und Schnellstrassen-Finanzierungs-Aktiengesellschaft Consolidated IFRS Cash Flow Statement*								
Mil. €	2020	2019	2018	2017	2016	2015	2014	2013
Cash flow from operating activities	1,006	1,285	894	888	761	555	596	570
Cash flow from investing activities	(598)	(641)	(481)	(502)	(404)	(470)	(451)	(382)
Cash flow from financing activities.	(130)	(785)	(258)	(553)	(196)	(90)	(183)	(140)
Cash and equivalents at year-end	304	26	167	12	179	17	23	61

*Unadjusted by S&P Global Ratings. IFRS--International Financial Reporting Standards.

Related Criteria

- 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
- Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Sovereign Risk Indicators, April 12, 2021
- Austria Ratings Affirmed At 'AA+/A-1+'; Outlook Stable, March 12, 2021

Ratings Detail (As Of July 8, 2021)*

Autobahnen-und Schnellstrassen-Finanzierungs-AG

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

Issuer Credit Ratings History

30-Jan-2013	AA+/Stable/A-1+
17-Jan-2012	AA+/Negative/A-1+
07-Dec-2011	AAA/Watch Neg/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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