S&P Global Ratings

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Autobahnen-und Schnellstrassen-Finanzierungs-AG

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This report does not constitute a rating action.

Credit Highlights

Overview

Key strengths	Key risks
Almost certain likelihood of receiving timely and sufficient extraordinary support from the Austrian government if needed.	Limited financial flexibility, due to the tight legal, planning, and control framework imposed by the Austrian government.
Undisputed monopoly position as Austria's motorway operation and construction company.	Sizable debt.
A euro medium-term note (EMTN) program that is supported by a full, explicit, unconditional, and irrevocable guarantee from the Austrian government.	Rating contingent on perceived government support.

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.

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, nor 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 rating 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 on ASFINAG 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.
- Integral link with the government as a wholly owned subsidiary that is subject to a tight legal, planning, and control framework; and
- Operation on behalf of the Austrian government providing a key public service that could not be immediately undertaken by another entity.

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 and we currently see no transition risk with respect to ASFINAG's role for and 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 to 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, which substantially increases the degree of effective government control of and support for ASFINAG.

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 2024, this includes €1.4 billion for capital financing and the same amount for interest and other expenditures.

ASFINAG is generally able to fully finance its construction program with its own cash flows and typically needs to tap capital markets only to refinance maturing debt. According to the EMTN documentation, the Republic of Austria provides full, explicit, unconditional, and irrevocable guarantees for all notes issues under ASFINAG's EMTN program, the company's main source of debt financing. Per Austria's budget law, the program is to be updated for a one-year period whenever ASFINAG plans on new issuances. Since no bonds were issued in 2023, the last update was in 2022. A new review is planned for the second half of 2024, when maturities will need refinancing.

No adjustments in tolls, and higher dividend payments are set to reduce profits levels in 2024

ASFINAG posted strong results in 2023 with €844 million in profits, slightly below the previous year but at higher invesment levels, which increased to €1.3 billion from €1.1 billion, and while facing an inflation-driven dynamic increase in expenditure. In the past financial year, one-third of the toll revenue was generated by passenger cars and two-thirds by heavy goods vehicles. Toll revenue for vehicles up to 3.5 tons increased by 6% to €812 million. Toll income from heavy trucks and buses virtually stagnated at €1.6 billion (+0.6%).

In 2024, we expect to see a further reduction in ASFINAG's profit levels. While toll prices were originally set to rise in line with last year's inflation rate of 8.6%, a government decision suspended the planned adjustment, effectively decoupling ASFINAG's revenue from the strong inflationary trend. Besides that, the company will further increase its investments by €230 million to a total of €1.5 billion. Network refurbishment and maintenance will take up 60% of this amount, while the remainder will be invested in new projects related to road safety, mobility, and energy transition, such as the expansion of charging infrastructure for electrical vehicles. These factors, combined with planned higher dividend payments to the government of Austria to €255 million from €235 million, are expected to dampen net profit in 2024.

ASFINAG managed to stabilize its debt at €10.4 billion in 2023 after not issuing new debt. With long-term debt maturities in 2024 (€900 million) and 2025 (€1.5 billion), the company will require equivalent refinancing, which will now be undertaken at higher rates. Refinancing costs, the sizable investment plan, and increasing construction and operating costs are, together, expected to revert the stabilization trend and further increase debt levels. The company's medium-term plan indicates total debt will moderately rise in the following years, reaching around €11.2 billion in 2026. We see the plan as prudent and reliable and do not expect an impact on the rating over the medium term, since it is based on ASFINAG's role and link with the Austrian government.

ASFINAG's fundamental role and stable legal framework are unlikely to change

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 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. The company follows a multi-year investment program for construction and maintenance that is coordinated and agreed with the Austrian government. Both the owner and ASFINAG are increasingly focused on a sustainable energy transition, with the aim, for example, of running the national network self-sufficiently with renewable energy sources by 2030. To this end, ASFINAG plans to build renewable enegy plants along the road network throughout Austria, demonstrating the company's commitment to future-proofing and modernising its operations.

This multi-year framework is agreed upon annually and currently in effect for 2024-2029. ASFINAG's revenue is generally predictable under most circumstances, owing to moderate but continuous traffic growth over the cycle. Toll price adjustments are regulated by law (Bundesmautstraßengesetz) but volume projections depend on ASFINAG's assumptions, which can affect revenue projections. Toll revenue projections (stickers, truck, and other tolls) are generally indexed according to the harmonized consumer price index, although adjustments are contingent on final confirmation by the government.

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 on 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

- Austria, Feb. 26, 2024
- Sovereign Risk Indicators, April 8, 2024. An interactive version is available at http://www.spratings.com/sri .

Ratings Detail (as of June 24, 2024)*

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.