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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 Autobahnen-und Schnellstrassen-Finanzierungs-AG (ASFINAG) receiving timely and sufficient extraordinary support from the Austrian government if needed.• ASFINAG will retain its monopoly position as Austria's road operation and construction company and continue to benefit from state guarantees on its debt issuance.• Issuances benefit from government guarantees.	<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 ASFINAG reflects that on Austria. Therefore, any rating action on the sovereign would result in a corresponding action on ASFINAG.

The outlook also reflects S&P Global Ratings' assessment that, given ASFINAG's strategic importance to the Austrian government, there will be no significant changes to extraordinary government support for the company, state guarantees, or the legal framework governing its operations. We also believe the company will maintain its monopoly position and that there is no risk of privatization.

Downside scenario

We could lower the ratings on ASFINAG if we concluded that the likelihood of support from the Austrian federal government had weakened. A change in laws, privatization plans, or the refusal of future guarantees could trigger such a reassessment of the company's role for and link with the government. However, we view these developments currently as unlikely.

Upside scenario

We could raise the rating if Austria's credit quality were to improve and the likelihood of support for ASFINAG remained almost certain.

Rationale

We equalize our ratings on ASFINAG with those on Austria.

This is because, we believe, that 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 have no doubts regarding the Austrian government's continuing willingness and propensity to support ASFINAG as a key GRE in practically all circumstances. Furthermore, we consider that the government has sufficient financial resources to do so. 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 and do not see any transition risk in our assessment of an almost certain likelihood of support.

The government's support and control of ASFINAG are significant. The company is incorporated under the ASFINAG Law (AL), 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 the strong explicit government support provided through timely, unconditional, and irrevocable guarantees for ASFINAG's bond issues. 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.

Revenue shortfalls are likely, following lower traffic due to COVID-19.

The COVID-19 pandemic continues to affect ASFINAG due to lower traffic and ensuing lower toll revenues, because of the uncertainty in timing of economic recovery. The company expects that traffic will only return to the 2019 level in 2023. ASFINAG expects a toll revenue shortfall of €460 million in 2020, resulting in annual profit that is two-thirds of the 2019 results.

However, ASFINAG's operations and long-term capital program must remain either fully or at least largely unchanged, due to the long-term nature of its business model. Therefore, annual profits will decrease but should remain at pre-2016 levels before gradually increasing over the next three years. Also, due to the pandemic, ASFINAG's priorities have not yet been discussed under the new government's coalition agreement, since the government has been occupied with address the pandemic. However, we understand that discussions have started on how the framework for ASFINAG can be amended by rolling forward the current plan. Fighting climate change is a government priority and

will need to be reflected in ASFINAG's development.

ASFINAG is a monopoly responsible for the financing, construction, maintenance, and operation of Austria's entire network of motorways and high-speed roads. The network totaled about 2,233 kilometers in 2019, consisting mainly of motorways and various bridges, tunnels, and mountain passes on other roads. Founded in 1982, ASFINAG is an incorporated company that is fully owned by Austria's federal government, as is required by the AL. It was reformed and given its present structure and function in 1997.

ASFINAG is not slated to be privatized, which would require a change in the AL.

Suggestions on how to regroup state holdings emerge from time to time in the political realm, but do not indicate 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 and that any such suggestion would be short lived. This leads us to foresee a very low probability that ASFINAG's monopoly position would be challenged.

According to contractual agreements (usufruct contract), ASFINAG has the unlimited usufruct over the motorway and high-speed road network, although the motorway network remains the property of Austria. ASFINAG has been granted 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 the network. 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. For 2020-2025 a total construction program of €8.9 billion is envisioned, with peak construction worth €1.7 billion occurring in 2025. After several court rulings in favor of ASFINAG unlocking some major road constructions (most of the S1 in Vienna and all of A26 in Linz) because of environmental appeals, an increasing investment cycle between 2019-2025 will be realized. On construction and maintenance, ASFINAG has to follow a multi-year investment program coordinated and agreed with the government. The COVID-19 pandemic should not cause delays, due to the long-term nature of ASFINAG's investment program, which includes average maintenance spending of €600 million-€700 million, new construction costing €700 million-€950 million, and smaller other investments (such as electronic devices).

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. Last year, toll revenue increased by 3.9% year on year, reflecting robust economic growth and traffic. Toll revenue projections (stickers and truck tolls) are

indexed according to the HVPI (harmonized consumer price index). In 2019, sticker and truck-toll rates increased by 2.2%, while volumes increased by 0.9% for trucks and 1.3% for stickers. In 2020, stickers and truck-toll rates are forecast to go up 1.7%, but with initially planned reduced volume increases: 1.0% for trucks and 0.5% for stickers. As of 2020, HVPI projections of economic research institutions and observed average volume rises limit price increases to 1.5% annually and volume increases to 1.0% on trucks and 0.5% on stickers.

ASFINAG's revenue is highly predictable overall, owing to moderate but continuous traffic growth over the cycle except during extraordinary situations, such as the current pandemic. The company posts high reported EBITDA margins of over 50%, thanks to constantly keeping its toll generation systems current, for example with an updated electronic toll generation system and the purchase of a digital vignette, which was introduced in 2018. In 2020, the company aims to pay a €165 million dividend to the Austrian government for 2019. We think that dividends in the coming years will remain similarly high over the next few years, which fulfills the government's dividend expectations. We regard this as feasible, given our forecast of continued profits at ASFINAG. However, we believe the reported results overstate the company's financial strength because the costs of motorway and high-speed road construction are accounted for as nondepreciable assets. ASFINAG and the Austrian government are also actively engaged in the continuously evolving regulatory discussions at the EU level regarding member countries' toll frameworks.

New construction is reflected in increased usufruct rights in the balance sheet, although high debt is stabilizing despite an increased infrastructure construction program. Currently, debt is projected to peak at €11.9 billion in 2027 compared with €10.9 billion in 2019.

While in recent years the company's cash flow before financing covered most of its financing needs, we expect additional capital market funding due to revenue shortfalls during the pandemic and the increased investment program in 2021-2022. The planned investments in these two years should total €2.7 billion in new construction, refurbishment, and network maintenance. However, we anticipate that ASFINAG would only have to rely partly on debt financing of a mid-double-digit million amount for new investments, and will refinance maturing debt entirely in the coming two years. We expect that ASFINAG will need to tap capital markets to refinance part of its €1 billion debt due in 2020. We note that ASFINAG's debt issuance is eligible for the quantitative easing program that the ECB implemented in March 2015.

ASFINAG's €12.0 billion euro medium-term note (EMTN) program, which is its main source of debt financing, has the benefit of a full, explicit, direct, unconditional, and irrevocable guarantee from the government. The program is usually extended annually (as part of Austria's budget law), including a predetermined drawdown amount. We expect ASFINAG to issue under its EMTN program again this year when a €1 billion debt matures. Exact amounts will also depend on the company's liquidity buffers. 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.

Selected Indicators

Table 1

Autobahnen- und Schnellstrassen-Finanzierungs-Aktiengesellschaft Consolidated IFRS Balance Sheet*								
--Year ended Dec. 31--								
(Mil. €)	2019	2018	2017	2016	2015	2014	2013	2012
Total assets	17,455.0	17,084.0	16,510.0	16,197.0	15,650.0	15,217.0	14,813.5	14,446.0
Non-current assets	17,089.0	16,545.0	16,162.0	15,697.0	15,324.0	14,909.1	14,466.0	14,172.0
Of which usufructuary title	14,939.0	14,749.0	14,250.0	13,783.0	13,607.0	13,072.7	12,860.1	12,532.0
Of which down payment on usufruct	1,164.0	845.0	973.0	999.0	770.0	911.5	741.1	742.0
Current assets	366.0	545.0	367.0	500.0	326.0	306.8	347.5	274.0
Of which cash and equivalents	26.0	167.0	12.0	179.0	17.0	22.7	60.7	12.0
Equity	6,537.0	5,839.0	5,185.0	4,575.0	4,061.0	3,612.8	3,294.0	2,922.0
Liabilities	10,918.0	11,245.0	11,325.0	11,622.0	11,589.0	11,604.2	11,519.5	11,525.0
of which LT and ST liabilities from bonds	7,850.0	8,250.0	8,250.0	8,800.0	8,800.0	9,055.0	9,305.0	9,216.0
of which LT and ST liabilities from loans	1,950.0	1,902.0	1,991.0	1,940.0	2,057.0	1,750.0	1,535.0	1,767.0
of which LT and ST trade and other payables	360.0	371.0	365.0	340.0	249.0	270.0	253.8	177.7
of which other liabilities	758.0	722.0	719.0	542.0	483.0	529.2	425.8	364.3

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

Table 2

Autobahnen- und Schnellstrassen-Finanzierungs-Aktiengesellschaft Consolidated IFRS Income Statement*								
--Year ended Dec. 31--								
(Mil. €)	2019	2018	2017	2016	2015	2014	2013	2012
Revenues	2,923.0	2,702.4	2,647.8	2,494.4	2,422.4	2,353.9	2,165.6	2,078.3
Of which revenues from invoicing to Republic of Austria	501.0	368.0	438.0	402.0	391.7	381.0	326.0	288.0
Of which sticker revenues	524.0	502.0	492.0	472.0	449.2	428.2	406.0	383.0
Of which special toll revenues	200.0	189.0	168.0	173.0	157.2	155.1	147.0	136.0
Of which truck toll revenues	1,515.0	1,465.0	1,370.0	1,274.0	1,252.5	1,241.5	1,135.0	1,103.0
Of which section control service	33.0	32.0	32.0	32.2	30.8	29.4	26.0	27.0
Of which from rent/lease	34.0	33.0	32.0	31.5	30.3	31.2	32.0	31.0
Of which other revenues	116.0	113.4	115.8	109.7	110.7	87.4	93.6	110.3
Operating expenses	(1,465.3)	(1,272.5)	(1,323.6)	(1,280.0)	(1,277.8)	(1,239.0)	(1,054.0)	(980.0)
Of which expenses for raw materials, consumables and services	(1,071.3)	(889.7)	(953.1)	(918.0)	(924.9)	(912.0)	(729.5)	(674.0)
Of which personnel expenses	(210.0)	(198.8)	(188.7)	(188.0)	(180.0)	(175.5)	(170.8)	(167.0)
EBIDTA	1,469.4	1,429.8	1,324.0	1,214.0	1,144.6	1,114.8	1,112.3	1,096.0
Depreciation and amortization	(77.3)	(72.3)	(70.9)	(70.0)	(68.3)	(62.5)	(61.9)	(63.0)
EBIT	1,392.1	1,357.5	1,253.2	1,144.0	1,076.3	1,052.3	1,053.4	1,032.0
Financial result	(145.2)	(157.6)	(202.7)	(326.0)	(348.0)	(360.0)	(424.4)	(405.0)

Table 2

Autobahnen- und Schnellstrassen-Finanzierungs-Aktiengesellschaft Consolidated IFRS Income Statement* (cont.)								
	--Year ended Dec. 31--							
(Mil. €)	2019	2018	2017	2016	2015	2014	2013	2012
Profit for the period	864.1	824.1	709.1	615.0	549.0	519.2	471.2	472.0

*unadjusted by S&P IFRS--International Financial Reporting Standards. N/A--not available

Table 3

Autobahnen- und Schnellstrassen-Finanzierungs-Aktiengesellschaft Consolidated IFRS Cash Flow Statement*								
(Mil. €)	2019	2018	2017	2016	2015	2014	2013	2012
Cash flow from operating activities	1,032.9	893.5	888.3	761.4	554.9	596.0	570.0	513.0
Cash flow from investing activities	(641.2)	(480.9)	(502.2)	(404.0)	(470.3)	(450.6)	(382.0)	(346.0)
Cash flow from financing activities.	(532.7)	(257.6)	(552.8)	(195.6)	(90.3)	(183.3)	(140.0)	(166.0)
Cash and equivalents at year-end	25.9	166.9	11.9	178.7	16.9	22.7	61.0	12.0

*unadjusted by S&P 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
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Sovereign Risk Indicators, July 14, 2020
- Austria, March 13, 2020

Ratings Detail (As Of July 15, 2020)*	
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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