S&P Global Ratings

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OeBB-Infrastruktur AG

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This report does not constitute a rating action.

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Credit Highlights

Overview

Key strengths	Key risks
Almost certain likelihood of extraordinary support from its sole owner, the Austrian government.	The company's very large debt, requiring the owner to provide a financing framework.
Government guarantees on outstanding bonds.	High dependence on federal government subsidies.
Stable legal framework, supporting OEBB-Infrastruktur AG's integral link to and the entity critical role for the Austrian government because of its responsibility for the national rail network.	

S&P Global Ratings believes the legal and financing framework supporting OeBB-Infrastruktur's business allows the company to execute on its ambitious but prudent capital expenditure (capex) program. Our assessment of an almost certain likelihood of support for the Austria-based railroad infrastructure company from the government of Austria (AA+/Stable/A-1+) is unchanged and leads us to equalize the ratings on OeBB-Infrastruktur with those on Austria.

In our support assessment, we factor in the government's guarantee on outstanding debt. Up until 2017, OeBB-Infrastruktur directly issued debt, which carried a guarantee from the Austrian government. Since then, the company's financial needs have been directly funded through Austria's Federal Financing Agency (ÖBFA). The federal financing law outlines the legal foundations for the provision of funds.

We do not see any transition risk from our view of OeBB-Infrastruktur's role for and link to Austria. In our view, there is no doubt regarding the Austrian government's continuous willingness and propensity to support OeBB-Infrastruktur, as one of its key government-related entities (GREs), in practically all circumstances. Furthermore, we consider that the government has sufficient financial resources to support OeBB-Infrastruktur.

Outlook

The stable outlook on OeBB-Infrastruktur reflects our outlook on its sole owner, the Austrian federal government. Our assessment is supported by the highly predictable legal support framework, irrevocable guarantees on most of the company's capital market debt, and the current funding framework with ÖBFA. We therefore expect our ratings and outlook on OeBB-Infrastruktur will move in line with those on Austria.

Downside scenario

We could lower the ratings on OeBB-Infrastruktur if we took a similar action on the sovereign. We would also consider lowering the ratings if changes to OeBB-Infrastruktur's ownership structure resulted in a weakening of the entity's role for and its link to the Austrian federal government. Politically triggered changes to the legal or funding framework that reduce the likelihood of extraordinary support from the sovereign would also lead us to consider a downgrade. However, we currently view this scenario as unlikely.

Upside scenario

We would consider a positive rating action on the entity if we saw a strengthening of Austria's creditworthiness, and if our view of the likelihood of extraordinary support for OeBB-Infrastruktur from the sovereign remained unchanged.

Rationale

- Critical role for the government as the owner, constructor, and operator of most of the Austrian rail network; and
- Integral link with the government, owing to the state's indirect full ownership of OeBB-Infrastruktur, which subjects the company to tight legal, planning, and operational controls, as well as providing a strong support framework. It enacts the government's railway investment plan, as agreed with the government.

OeBB-Infrastruktur is responsible for financing, constructing, and operating the Austrian railway infrastructure--including track, tunnels, bridges, and railway stations--and is endowed with comprehensive planning and control functions. In our view, there is no doubt regarding the Austrian government's continuing willingness and propensity to support the company, as one of its key GREs, in practically all circumstances. Furthermore, we consider that the government has sufficient financial resources to support OeBB-Infrastruktur. We do not see any transition risk in our assessment of an almost certain likelihood of support.

The legal framework surrounding the company's operations is based on the federal railway act (Bundesbahngesetz), through which it was founded as a stockholding company and was incorporated in the Austrian Corporate Register. The law states that it must be fully owned by OeBB-Holding AG--which in turn must be fully owned by Austria--and clearly defines the government's role in OeBB-Infrastruktur's operations. Changes to this setup would require a change of law. We therefore continue to believe that a privatization of the company is not likely.

Our view on the likelihood of support is underpinned by the continued support by Austria for OeBB-Infrastruktur's ongoing operations. This is evident when looking at the company's revenue composition, which is mainly government subsidies (just below 60% of total revenue). Due to OeBB-Infrastruktur's mission, its profitability remains low. Electricity price volatility adversely affected its 2022 financial results. This resulted in a negative balance of €16 million before taxes. We believe that OeBB will be able to move back towards historical levels of slightly positive balances (2021: €11 million) before taxes in the next two years. Nevertheless, while revenue is boosted by sustained government transfers, we believe that expenditure will be burdened by rising costs, especially on the capital expenditure side given inflationary pressure and rise in construction costs.

A six-year rolling capital investment program is clearly defined in coordination with the owner on an annual basis.

The OeBB-Infrastruktur governance act clearly outlines the framework for the government transfers that OeBB-Infrastruktur receives for operations and maintenance, as well as for network expansion under section 42 of the Bundesbahngesetz. The company's annually extended, rolling-six-year investment master plan (currently 2023-2028) has to be approved by its two governing ministries, namely the ministries of finance and climate action, environment, energy, mobility, innovation and technology. The plan must adhere to the government's national transportation policy plan, and currently includes a €19 billion budget, from €18.2 billion in the previous agreement. This gives additional support to our assessment of the importance of OeBB-Infrastruktur to its owner. The investment plan includes the two main railway projects in Austria, namely Brenner Basistunnel (€2.1 billion or approximately 11% of the total plan) and the new southern connection, i.e., the Koralmbahn and Semmering Basistunnel (€2.8 billion or approximately 15% of the total plan).

OeBB-Infrastruktur must submit an annual rationalization and cost-saving plan to the government. The latest savings measures include savings in personnel expenditure through a reduction of 150 full-time employee positions. The annually updated master plan has shifted its focus toward addressing sustainability and climate change, with a direct emphasis on electrification of transportation.

Along with an annual update of the rolling investment master plan, OeBB-Infrastruktur employs a long-term network plan. The current plan will expire in 2025 and we understand that planning for this update is currently underway and will be published next year.

Remaining direct debt of OeBB remains guaranteed directly, unconditionally, and irrevocably by Austria.

As OeBB-Infrastruktur's debt is statistically accounted for as general government debt according to EuroStat rules since 2017, the owner and OeBB-Infratruktur decided that its funding should be provided by OBFA. A framework agreement with ÖBFA ensures reliable access to long-term funding for the company. The legal foundations for the provision of funds are outlined in the annual federal financing law and the law governing multiannual charges to the federal budget, which takes into account the rail infrastructure investment plan. In addition to long-term financing, ÖBFA provides short-term liquidity access to OeBB-Infrastruktur.

Up until 2017, OeBB-Infrastruktur directly issued debt, which carried a guarantee from the Austrian government. The remaining debt is still guaranteed directly, unconditionally, and irrevocably by Austria. OeBB-Infrastruktur's sovereign-guaranteed capital market debt decreased to €8.9 billion as of year-end 2022. The company owes around €3.8 billion of unguaranteed debt to the European Investment Bank. Practically all debt is at fixed-rates and issued in euro, limiting risks from rising interest rates and foreign exchange rate risks for the company. Given its access to ÖBFA, OeBB-Infrastruktur continues to have excellent access to both short- and long-term capital market debt. It relies solely on the direct financing framework with the sovereign to refinance its upcoming debt maturities of around €1.5 billion annually. Thanks to government transfers, operating cash flow will remain positive, while that from investment activities will be highly negative due to high capital expenditure. Any cash flow mismatch will be financed by ÖBFA, based on the framework agreement.

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. 27, 2023
- Sovereign Risk Indicators, April 10, 2023. Interactive version available at http://www.spratings.com/sri.
- Economic Outlook Eurozone Q2 2023: Rate Rises Weigh On Return To Growth, March 27, 2023
- Outlooks Revised To Stable From Positive On Five Austrian Government-Related Entities After Austria Outlook Revision, Aug. 29, 2022

Ratings Detail (as of June 23, 2023)*

OeBB-Infrastruktur 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.