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 critical role for the Austrian government given its responsibility for the national rail network.	Rating contingent on perceived government support.

S&P Global Ratings believes the legal and financing framework supporting OeBB-Infrastruktur's business allows it to execute on its ambitious but prudent capital expenditure 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 new 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 related to 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 reduced 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

Our view of an almost certain likelihood that OeBB-Infrastruktur would receive timely and extraordinary support from the Austrian government, if needed, stems from our assessment of OeBB-Infrastruktur's:

- 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 Austria's 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 unlikely.

Austria supports OeBB-Infrastruktur's operations on an ongoing basis with government subsidies amounting to just under 60% of the company's total revenue. Even though the inflation-driven dynamic development of operating expenditures, such as wages, has weighted on 2023's financial results, the company posted a positive €8 million balance before taxes. Due to OeBB-Infrastruktur's nature, mission, and goals, its ability to boost profitability remains limited. Therefore, we believe that OeBB's performance will remain largely in line with historical levels--small positive balances before taxes--in the coming years.

The updated master investment plan is seeing capital investment levels consolidate at new highs. 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 2024-2029) has to be approved by its two governing ministries, namely the ministry of finance, and the ministry of climate action, environment, energy, mobility, innovation and technology. The annually updated master plan must adhere to the government's national transportation policy plan, and currently includes a €21.1 billion budget (€2.0 billion above the previous iteration). This provides additional support to our assessment of OeBB-Infrastruktur's key role for its owner and the execution of its policies.

At a projected €3.5 billion per year, the ambitious investment plan includes increasing the company's energy auto-sufficiency, promoting digitalization, and modernizing key infrastructure such as train stations and the network. Besides addressing sustainability and climate change with a direct emphasis on the electrification of transportation, sizable investments are destined for more traditional large-scale infrastructure projects. These include the Brenner Basistunnel, the Koralmbahn, and Semmering Basistunnel. These projects, combined, account for around €5 billion of total investments between 2024 and 2029 (slightly less than 25% of the total plan).

OeBB-Infrastruktur's remaining direct debt is still guaranteed directly, unconditionally, and irrevocably by Austria. The debt has been statistically accounted for as general government debt (under EuroStat rules) since 2012 but in 2017 the owner and OeBB-Infratruktur decided that its funding should be provided directly via ÖBFA. All OeBB-Infrastruktur's directly-issued debt from before this change, however, is still guaranteed by Austria. The 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 also provides short-term liquidity access for OeBB-Infrastruktur.

OeBB-Infrastruktur's ÖBFA-financed debt increased to €16.7 billion in 2023 from €11.7 billion at year-end 2022. Sovereign-guaranteed capital market debt decreased from €8.9 billion in 2022 to €7.8 billion in 2023. The company also owes around €3.8 billion of unguaranteed debt to the European Investment Bank. Virtually all debt is at fixed-rates and issued in euros, limiting interest rate risks and excluding foreign exchange rate risks. OeBB-Infrastruktur continues to have exceptional access to both short- and long-term capital via the ÖBFA. It relies solely on the direct financing framework with the sovereign to refinance its upcoming debt maturities, around €1.5 billion annually. Thanks to government transfers, its operating cash flow will remain positive, while high capital expenditures will continue to be financed via the ÖBFA. Eventual cash flow mismatches will be also be financed by the 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 February 26, 2024
- Sovereign Risk Indicators, April 8, 2024. An interactive version is available at http://www.spratings.com/sri .

Ratings Detail (as of June 19, 2024)*

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.