

Research Update:

Societe Nationale SNCF Outlook Revised To Negative After Similar Action On France; 'A+' Ratings Affirmed

March 6, 2025

Rating Action Overview

- On Feb. 28, 2025, S&P Global Ratings revised its outlook on France to negative from stable and affirmed the unsolicited 'AA-/A-1+' sovereign ratings on weakening public finances.
- We view exposure to France as a key credit driver for our rating on integrated rail group Societe Nationale SNCF (SNCF), reflecting that it is fully owned by the government and relies on significant financial support from the state to finance most network investments.
- We continue to think that SNCF has an extremely high likelihood of receiving extraordinary government support if needed.
- Therefore, we revised the outlook on SNCF to negative from stable and affirmed our 'A+/A-1' long- and short-term issuer credit ratings on the company, as well as our 'A+' issue ratings on its senior unsecured debt.
- The negative outlook mirrors that on France.

Rating Action Rationale

Our outlook revision on SNCF follows a similar action on the sovereign. On Feb. 28, 2025, S&P Global Ratings revised the outlook on France to negative from stable on weakening public finances (see "Research Update: France 'AA-/A-1+' Ratings Affirmed; Outlook Revised To Negative On Weakening Public Finances" published on Feb. 28, 2025, on RatingsDirect). Fully owned by the government, our rating on integrated rail group SNCF is influenced by our sovereign credit rating on France. This is because we think that the company benefits from an extremely high likelihood of timely and sufficient support by the French government in case of financial distress, which results in four notches of uplift to our 'A+' long-term issuer credit rating on SNCF.

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In our view, there is an integral link between the group and the government as we think that the French state maintains very tight controls and supervision over the group's strategy and financial standing via its nontransferable 100% ownership of the group and substantial financial support.

We also think that SNCF has a core social and economic importance for the government, since it operates and manages the monopolistic railway network (through its fully owned subsidiary SNCF Réseau) and, at the same time, it is the incumbent provider of passenger rail services in France through its 100%-owned subsidiary SNCF Voyageurs, playing a vital role in France's strong carbon-reduction policies. Although we expect competition may intensify in regional services and some cash generative routes in long-distance services, we do not expect it to weaken SNCF's role to the state in the medium term as some barriers exist including the loss-making status of many regional lines, the requirement for the transfer of SNCF's employees, with the same social package, to any potential new operator that would win a tender, and the high level of track access charges. Moreover, we expect state grants will continue to cover most network investments (assumed at 50%-60% of total capital expenditure [capex] needs).

This rating action reflects the sovereign rating action on France and our view of SNCF's stand-alone credit profile (SACP) remains unchanged at 'bbb'.

Outlook

The negative outlook on SNCF mirrors that on France (unsolicited; AA-/Negative/A-1+) and indicates that we could lower our ratings on SNCF if we downgrade our unsolicited sovereign credit ratings on France by one notch. This reflects our view that the group continues to benefit from an extremely high likelihood of receiving extraordinary government support if needed.

Downside scenario

We would consider a negative action on SNCF under any of the following circumstances:

- A negative rating action on the sovereign rating on France;
- If SNCF's link with, or role for, the state weakened, potentially leading us to consider a multi-notch downgrade of SNCF, which we see as unlikely at this stage. This could stem from a reduction of state controls over the company and its strategy, or if the group's public-service role for the government weakens; or
- All else being equal, if we revised downward the SACP for SNCF to 'b+', which we see as very unlikely at present. This could materialize, for example, if the company failed to maintain funds from operation (FFO) to debt above 6%, due to for instance a significant decrease in the state's grants, combined with a weaker assessment of the group's business strengths.

Although it would not affect the rating, we could revise downward the SACP on SNCF by one notch if, all else being equal:

- The group cannot maintain its FFO to debt above 9% on average over 2024-2026; or
- SNCF significantly changes its business mix so that exposure to noninfrastructure, including its logistics subsidiary and bus operations at Keolis, increases to above one third of EBITDA (from less than 26% in 2023), which could weaken our view of SNCF's cash flow stability, and this is not mitigated by further leverage reduction.

Upside scenario

We could stabilize the outlook on SNCF if we take a similar action on the sovereign rating on France.

Absent any sovereign rating actions, we see any upside scenario on SNCF as unlikely. This is because to raise our long-term issuer credit rating on SNCF by one notch, we would need to revise upward the SACP to ‘a’ (three notches higher than the current SACP).

Although it would not affect the rating, a revision of SNCF’s SACP by one notch, all else being equal, is constrained by SNCF’s relatively high adjusted debt to EBITDA, the large capex plan, and our expectation that competition may erode some of SNCF’s market share over the medium term. An upward revision of the SACP would hinge on SNCF maintaining FFO to debt comfortably above 12%, combined with better visibility on the potential effect of increasing competition on SNCF’s market share and of the TGV M delivery on traffic, as well as an additional track record of free operating cash flow generation, in line with the target the group has set for itself, and translating into further debt-to-EBITDA improvement. An upgrade would also hinge on SNCF’s exposure to noninfrastructure businesses remaining below one third of EBITDA over the medium term.

Rating Component Scores

Rating Component Scores	
Component	
Foreign currency issuer credit rating	A+/NEGATIVE/A-1
Local currency issuer credit rating	A+/NEGATIVE/A-1
Business risk	2 - Strong
Country risk	2 - Low Risk
Industry risk	2 - Low Risk
Competitive position	2 - Strong
Financial risk	4 - Significant
Cash flow/leverage	4 - Significant
Anchor	bbb
Diversification/portfolio effect	3 - Neutral
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Neutral
Comparable rating analysis	Neutral
Stand-alone credit profile	bbb

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024

- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- 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
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010

Related Research

- Research Update: France 'AA-/A-1+' Ratings Affirmed; Outlook Revised To Negative On Weakening Public Finances, Feb. 28, 2025
- Issuer Ranking: EMEA Transportation Infrastructure Companies, Feb. 25, 2025
- EMEA Transportation Infrastructure: Handbook 2025, Jan. 23, 2025
- Industry Credit Outlook 2025: Transportation Infrastructure, Jan. 14, 2025
- Société Nationale SNCF S.A. Downgraded To 'A+' Following Similar Action On France; Outlook Stable; SACP Revised Upward, June 7, 2024
- Research Update: SNCF Réseau Downgraded To 'AA-' After Similar Action On The Sovereign; Outlook Stable, June 7, 2024
- Research Update: France Long-Term Rating Lowered To 'AA-' From 'AA' On Deterioration Of Budgetary Position; Outlook Stable, May 31, 2024
- Societe Nationale SNCF's Better-Than-Anticipated 2023 Results Will Help It Make Large Expected Rail Investments, March 4, 2024

Ratings List

Ratings list	
Ratings Affirmed; Outlook Action	
To	From

Societe Nationale SNCF Outlook Revised To Negative After Similar Action On France; 'A+' Ratings Affirmed

Ratings list

Societe Nationale SNCF		
Issuer Credit Rating	A+/Negative/A-1	A+/Stable/A-1
SNCF Réseau		
Issuer Credit Rating	AA-/Negative/A-1+	AA-/Stable/A-1+
Ratings Affirmed		
Societe Nationale SNCF		
Senior Unsecured	A+	
Commercial Paper	A-1	
SNCF Réseau		
Senior Unsecured	AA-	

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to Ratings Direct subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings. Alternatively, call S&P Global Ratings' Global Client Support line (44) 20-7176-7176.

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