

RATING ACTION COMMENTARY

Fitch Affirms Hamburger Hochbahn at 'AAA'; Outlook Stable

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Fitch Ratings - Frankfurt am Main - 16 Jul 2025: Fitch Ratings has affirmed Hamburger Hochbahn AG's (HOCHBAHN) Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDR) at 'AAA'. The Outlooks are Stable. Fitch has also affirmed its senior unsecured rating at 'AAA'.

The affirmation reflects HOCHBAHN's government-related entity (GRE) support score of 40. This reflects our assessment that extraordinary support from the State of Hamburg (AAA/Stable) is 'Extremely likely' under our GRE Rating Criteria and our assumption that HOCHBAHN's legal status, which is tantamount to a guarantee, will be unchanged, allowing equalisation of its ratings with its sponsor, irrespective of the GRE factors assessment.

HOCHBAHN's Standalone Credit Profile (SCP) is 'bbb', reflecting the combination of a 'Stronger' Risk Profile and a Financial Profile assessed in the middle of the 'bb' category, with a leverage ratio (net adjusted debt to EBITDA) of 16.1x on average in our rating case.

KEY RATING DRIVERS

Support Score Assessment 'Extremely likely'

We consider that extraordinary support from the State of Hamburg to HOCHBAHN would be 'Extremely likely' in case of need, reflecting a support score of 40 (out of a maximum 60) under our GRE criteria. This reflects a combination of responsibility to support and incentive to support factors assessment as below.

Responsibility to Support

Decision Making and Oversight 'Very Strong'

Fitch's assessment reflects Hamburg's full ownership through Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV), ensuring tight control of

HOCHBAHN's operations, investments and funding as the largest local public transport provider with a monopolistic share within the city of Hamburg. Under regulation (EC) No 1370/ 2007 for public transport services, Hamburg exercises control over HOCHBAHN as if it was part of its own administrative unit.

HOCHBAHN's management board comprises four members appointed by the supervisory board, half of whose 16 members represent Hamburg, including delegates from HGV and the city's finance department. In our view, this structure ensures tighter oversight and control of HOCHBAHN.

Precedents of Support 'Very Strong'

HOCHBAHN serves as Hamburg's main public transport provider, ensuring mobility across the city, including remote areas, and delivering essential public services (Daseinsvorsorge), such as operating unprofitable routes. A tangible sign of support is HOCHBAHN and Hamburg's profit-and-loss transfer agreement, ensuring annual deficit compensation (Fehlbetragsausgleich) by Hamburg. This ensures HOCHBAHN receives consistent support from its owner covering its losses.

The company regularly receives investment grants. Between 2025 and 2029, it plans to invest approximately EUR3.8 billion, 50% of which we expect to be covered by grants. HOCHBAHN also benefits from cash pooling at the group level, enabling access to liquidity directly from HGV rather than relying on external credit lines, ensuring it has sufficient liquidity.

Incentives to Support

Preservation of Government Policy Role 'Strong'

A financial default would have serious political and social repercussions for Hamburg. As the city's main transport provider with a monopolistic share, HOCHBAHN provides essential public services but also owns key transport infrastructure, including service networks and has a crucial role in advancing Hamburg's climate objectives by 2030.

Transport services benefit from agreements ensuring operational continuity, underpinning the state's commitment to maintain these services. Fitch therefore believes it would be very difficult to substitute HOCHBAHN in the medium term with a private operator. We expect that Hamburg would take all necessary measures to prevent HOCHBAHN's bankruptcy, opting to support the company and facilitate a restructuring if needed.

Contagion Risk 'Strong'

HOCHBAHN is recognized by market participants as a high-profile GRE, given its status and role. The company is extending its service area and converting its transport fleet to emission-free. This requires additional debt-funded investments and subsidies for Hamburg-backed investments.

If HOCHBAHN defaulted, it would not necessarily increase Hamburg's refinancing costs, but since HOCHBAHN is consolidated together with Hamburg's other GREs under HGV's umbrella we assume the borrowing capacity of other GREs would be significantly impaired. However, HOCHBAHN is not a reference issuer for Hamburg, as the city has a record of well-established access to the capital markets with lower funding costs over Bund, which limits our assessment to 'Strong'.

Standalone Credit Profile

HOCHBAHN's 'bbb' SCP results from the combination of a risk profile assessed as 'Stronger' and financial profile assessed in the middle of the 'bb' category, with net adjusted debt to EBITDA averaging about 16.1x under our rating case in 2025-2029.

Risk Profile: 'Stronger'

Fitch assesses HOCHBAHN's risk profile at 'Stronger', reflecting the following combination of assessments:

Revenue Risk: 'Stronger'

Most of HOCHBAHN's operating revenue stems from its public transportation fares (53% of operating revenue at end 2024), which are relatively stable as demand risk is largely mitigated by direct service contracts for its metro and bus lines services that are free from competition. This is further supported by passenger levels increasing to about 496 million at end-2024 and expected low demand volatility due to population growth and rising demand. This is also supported by HOCHBAHN's support for the city's climate goal targets, by implementing Hamburger Takt to reduce car usage and extension of services, like construction of the new metro line U5.

The contractual framework allows HOCHBAHN to adjust prices in response to changes in staff and maintenance costs. These adjustments are subject to political discussions, but the company is typically compensated for inflationary pressures. We do not expect fare changes to have a significant impact on demand.

Expenditure Risk: 'Stronger'

Under the profit-and-loss transfer agreement with its owner, HOCHBAHN can fully pass through operating costs and supply and volume risks to HGV. Annual subsidies under the agreement covered about 31% of the company's opex at end-2024. HOCHBAHN has clearly identified cost drivers and faces low volatility in its major expense categories. Its investment planning has strong mechanisms for planning and funding and investments benefit from well-documented construction plans with limited execution risk, ensuring asset longevity significantly beyond the company's debt maturity.

Liabilities and Liquidity Risk: 'Stronger'

Fitch sees limited risk in Hochbahn's debt structure. The debt profile is amortising with a weighted average maturity profile of 6.8 years at end-2024. Fitch-adjusted debt was EUR1,756 million at end-2024, up from EUR1,541 million in 2023, driven by funding needs for planned investments. HOCHBAHN diversifies its funding. At end-2024, 55% of its debt comprised bonds (green bonds) with the remainder bank loans.

HOCHBAHN is not exposed to FX risk or floating interest rate risk and has almost no off-balance sheet risks. Refinancing risk is mitigated by access to cash pooling at the group level based on the agreement with HGV. HOCHBAHN is eligible for liquidity support and can request short-term liquidity, if needed.

Financial Profile 'bb'

Under our rating case, we expect HOCHBAHN's leverage (net adjusted debt to EBITDA) to remain high and average 16.1x in 2025-2029 (2024: 16.2x), while debt service coverage remains low, in line with the sector average at 0.7x (2024: 0.7x) and gross interest coverage remains stable, at about 3.6x (2024: 4.3x). We expect leverage to remain contained, as half of the planned investments will be subsidised by the city and the Federal Republic of Germany, in line with its climate goals and transport initiatives to support and modernise the mobility transition and increase service capabilities.

We expect EBITDA to rise by EUR172 million (from EUR101 million in 2024), driven by anticipated average annual passenger volume growth of 2.1%. This reflects the robust local economy, new transport services from network expansion, and innovative mobility platforms, like hvv switch. The increase should help offset operating expenses, with staff and maintenance costs largely managed, and material costs benefiting from a reduced reliance on fuel prices as automated transport grows. Overhead costs remain uncovered, and we expect them to be netted through transfers. We expect HOCHBAHN's adjusted net debt to increase to EUR2.9 billion by 2029 (2024: EUR1.6 billion), considering high spending needs, reflected in its medium-term investment plan

Additional Risk Factors Considerations

HOCHBAHN's SCP is not affected by any asymmetric risk. Fitch considers the company's management and governance practices to be in line with the sector's standards, characterised by high involvement and control from the state over management's strategy, investments and funding. Fitch believes HOCHBAHN benefits from good management and governance, a strong regulatory framework and good information quality, making related risks neutral to the rating.

Debt structure is sound. At end-2024, 100% of the reported debt was fixed rate. The average maturity was close to seven years and the debt amortisation schedule is relatively smooth until 2031, when the EUR500 million green bond will need to be refinanced. HOCHBAHN is not exposed to foreign-exchange risk.

HOCHBAHN's rating equalisation with Hamburg reflects our view that its legal status is tantamount to a guarantee. This is based on the profit-and-loss transfer agreement ensuring annual deficit compensation by State of Hamburg; access to liquidity through cash pooling with HGV, and that HOCHBAHN is excluded from competition based on existing direct service agreements with Hamburg of 10 years (bus services) and 22.5 years (metro services) signed in 2019. Consequently, there are no restrictions on support from HGV.

Derivation Summary

Fitch views HOCHBAHN as a GRE of the State of Hamburg and looks through its direct owner HGV to the state as sponsor. We have 'Extremely likely' expectations of extraordinary support from Hamburg. This would lead to the company being rated one notch below the state, as its SCP is eight notches below Hamburg's 'AAA' IDR. However, HOCHBAHN's IDR is equalised with that of Hamburg as its legal status is tantamount to a guarantee, irrespective of its GRE assessment.

Its closest peers are Regie Autonome des Transports Parisiens (RATP; AA-/Negative), Ile-de-France Mobilités (IDM; AA-/Negative) and Transport for London (TfL; AA-/Stable), whose ratings are equalised with the supporting government's ratings based on 'Extreme likely' to 'Virtually certain' expectations of government support.

HOCHBAHN's 'bbb' SCP benefits from a 'Stronger' risk profile similar to that of IDM and TfL and higher than RATP's 'High Midrange', reflecting the difference in counterparty risk and operating environment. HOCHBAHN's 'bb' financial profile is lower than its peers, driven by higher leverage reflecting different investment programmes and business structures.

Short-Term Ratings

HOCHBAHN's Short-Term IDR of 'F1+' is consistent with its Long-Term IDR of 'AAA'.

Debt Ratings

The senior unsecured rating of 'AAA' is at the same level as HOCHBAHN's Long-Term IDR.

Issuer Profile

HOCHBAHN provides local transportation services via its metro lines and buses, serving 1.85 million people in Hamburg and 3.5 million people in the metropolitan region. Its service area covers 755 square kilometres (Hamburg) and 8,616 square kilometres (metropolitan region).

KEY ASSUMPTIONS

Fitch's base and rating cases incorporates 2024 financial accounts and projections by the issuer for 2025-2029 and is based on the following assumptions:

- Operating revenue growth on average at 4%, in line with the issuer's current tariff negotiations
- Opex growth on average at 3.0% driven by inflation and increased passenger demand driven cost
- Negative capital balance of around EUR364million on annual basis in line with HOCHBAHN's investment plan
- Cost of debt at 1.7% on average, reflecting a lower interest rate environment

The rating case incorporates an additional annual stress on HOCHBAHN's operating revenue of 0.5% on average and an additional annual stress on opex of 0.8% on average in 2025-2029.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A weakening of the legal status leading to reduced confidence on the government guarantee and loosening links between HOCHBAHN and its sponsor, including a perceived dilution of support, could lead to a downgrade of the ratings to one notch below Hamburg's ratings.

Negative rating action on the State of Hamburg would be mirrored in HOCHBAHN's ratings, assuming that their links were unchanged.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

The rating is the highest level on Fitch's rating scale and cannot be upgraded.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

HOCHBAHN's ratings are credit-linked to the ratings of the State of Hamburg.

References for Substantially Material Source Cited as Key Driver Rating

The principal sources of information used in the analysis are described in the Applicable Criteria.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡			PRIOR ⚡
Hamburger Hochbahn AG	LT IDR	AAA	Affirmed	AAA
	ST IDR	F1+	Affirmed	F1+
	LC LT IDR	AAA	Affirmed	AAA

senior unsecured

LT

AAA

Affirmed

AAA

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APPLICABLE CRITERIA

[Public Policy Revenue-Supported Entities Rating Criteria \(pub. 12 Jan 2024\) \(including rating assumption sensitivity\)](#)

[Government-Related Entities Rating Criteria \(pub. 09 Jul 2024\)](#)

ADDITIONAL DISCLOSURES

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Hamburger Hochbahn AG

EU Issued, UK Endorsed

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