

Hamburger Hochbahn AG

Key Rating Drivers

Rating Derivation Summary: Fitch Ratings classifies Hamburger Hochbahn AG (Hochbahn) as a government-related entity (GRE) of the State of Hamburg (AAA/Stable/F1+) and equalises its ratings with those of Hamburg. This reflects a 'Very Strong' assessment of the following rating factors: Status, Ownership & Control, Support Track Record & Expectations and Financial Implications of the GRE's default. It also reflects a 'Moderate' assessment of the Socio-Political Implications of Default factor.

Legal Status Tantamount to Guarantee: The equalisation of the ratings reflects our view that Hochbahn's legal status is tantamount to a guarantee, based on its exclusion from competition; that there are no restrictions on it receiving support from its owner; the profit-and-loss transfer agreement ensures annual deficit compensation by Hamburg; that the state has the same kind of control over the issuer's operations as would it of an administrative unit; and the issuer's final access to Hamburg's liquidity.

Sustained State Control and Ownership: Hamburg fully owns Hochbahn via the Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV) – a group holding that combines many GREs and shareholdings; we consider Hamburg to be finally liable for Hochbahn, which has a strategic role in local transportation and environmental planning policy, and Hamburg has a strong voting influence via its presence on Hochbahn's supervisory board.

Very Strong State Support: There are no restrictions on government support, based on a direct service contract. A profit-and-loss agreement with Hamburg ensures annual deficit compensation. Hochbahn also receives funding for Hamburg-promoted investments, covering 20% of its scheduled gross investment in 2020-2023. Finally, Hochbahn has a cash-pooling agreement with its owner and can access liquidity from HGV, which prevents Hochbahn from lacking liquidity in case of need.

Metro and Bus Service Provider: A disruption of services would cause significant political or economic repercussions for Hamburg, but a financial default of Hochbahn would not materially affect the provision of its public services nor endanger the GRE's mission. We view this factor as having moderate implications.

State Proxy Funding Vehicle: Hochbahn is core to the implementation of Hamburg's supply-driven public transportation strategy and achieving its climate goals, and receives subsidies for Hamburg-promoted investments. We assume Hamburg is very likely to support Hochbahn if required. A Hochbahn default would greatly impair Hamburg's standing in the capital market.

Standalone Credit Profile of 'bb': The Standalone Credit Profile (SCP) reflects a 'Stronger' assessment of revenue defensibility and 'Midrange' of operating risk and a leverage ratio (adjusted net debt/EBITDA) that we expect to decline to around 15.1x by 2025 under our rating-case scenario (2021: 17.6x), considering the GRE's investment plan.

ESG Considerations: ESG issues have a minimal impact on Hochbahn's ratings, as reflected in a score of '3'.

Rating Sensitivities

Change in Hamburg's Rating: A change of the ratings of Hamburg would be mirrored in the ratings of Hochbahn.

Change in Support Factors: Weaker features of the legal status, or weakening confidence in the government loosening links between Hochbahn and Hamburg, including a perceived dilution of support, could lead to a notching down from Hamburg's ratings.

Ratings

Foreign Currency	
Long-Term IDR	AAA
Short-Term IDR	F1+

Local Currency	
Long-Term IDR	AAA
Senior Unsecured	AAA

Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable

Issuer Profile

Hamburger Hochbahn AG 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 sq km (Hamburg) and 8,616 sq km (metropolitan region), respectively. It is one Germany's leading local public transport companies. Its four metro lines and 114 bus lines carry 1.2 million passengers daily, covering 50% of all local public transport services, and it employs around 6,300 people.

Financial Data

Hamburger Hochbahn AG (EURm)	2021	2025 ^{rc}
Net adjusted debt/EBITDA (x)	17.6	15.1
EBITDA/gross interest (x)	5.3	5.4
Operating revenue	657	877
Operating expenditure	588	763
EBITDA	70	114
Net adjusted debt	1,055	1,900

rc: Fitch's rating-case scenario
Source: Fitch Ratings, Hochbahn

Applicable Criteria

[Government-Related Entities Rating Criteria \(September 2020\)](#)
[Public Sector, Revenue-Supported Entities Rating Criteria \(September 2021\)](#)

Related Research

[Fitch Affirms 11 German Laender at 'AAA'; Outlook Stable \(April 2021\)](#)
[State of Hamburg \(October 2021\)](#)

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Rating Synopsis

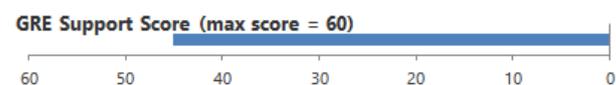
Fitch rates Hochbahn according to its *Government-Related Entities Rating Criteria* and applies a top-down approach. Fitch views Hochbahn as a credit-linked entity to Hamburg as Fitch deems Hochbahn's direct owner, HGV, as having a neutral role in terms of extraordinary support provision. Fitch has therefore looked beyond the chain of control, and the rating reflects Hochbahn's strong link to its ultimate government owner and the high likelihood of extraordinary state support in case of financial distress.

Hochbahn's rating are equalised with those of Hamburg, reflecting our view that its legal status is tantamount to a guarantee. This is based on i) Hochbahn being shielded from competition based on the existing 10-year direct service agreement (Direktvergabe) with Hamburg (bus services) and 22.5-year agreement (metro services); ii) there being no restrictions on it receiving support from its owner; iii) the profit-and-loss transfer agreement ensuring annual deficit compensation by Hamburg; iv) the state having the same kind of control over the issuer's operations as it would of an administrative unit and v) the issuer's access to Hamburg's liquidity via cash-pooling with HGV.

The assessment of the four extraordinary support factors under Fitch's GRE criteria, resulting in a total score of 45 out of a maximum of 60, leads to the equalisation of the Issuer Default Rating (IDR) with that of Hamburg irrespective of the SCP. We assess the SCP at 'bb', applying the *Public Sector, Revenue-Supported Entities Rating Criteria*. The SCP does not affect the IDRs, as the notching discrepancy between the SCP and the IDRs of Hamburg is more than four notches.

Hamburger Hochbahn AG Rating Derivation Summary

GRE Key Rating Drivers and Support Score		
Status, Ownership and Control	Very Strong	10
Support Track Record	Very Strong	10
Socio-Political Implications of GRE Default	Moderate	5
Financial Implications of GRE Default	Very Strong	20
GRE Support Score		45
Score - Notching Guideline Table		>=45



Notching Guideline Table							
Distance \ Score	>=45	35-42.5	27.5-32.5	20-25	15-17.5	12.5	<=10
= or above	Capped	Capped	Capped	Capped	Capped	Capped	Capped
1,2,3	=	=	=	-1	+1	+1	SCP
4	=	-1	-1	-2	+1	+1	SCP
>4	=	-1	-2	-3	+2/+3	+1	SCP

Stylized Notching Guideline Table: refer to GRE criteria for details

Source: Fitch Ratings

Issuer Profile

Hochbahn is one of the leading local public transport companies in Germany. It was established in 1911 as a stock-holding company under German law and is owned by Hamburg via HGV. Hochbahn provides local public transport services. Its service area covers 755 sq km (Hamburg) and 8,616 sq km (metropolitan region), respectively and it serves 1.85 million people in Hamburg and 3.5 million in the broader metropolitan region. It employs around 6,300 people.

Hochbahn is responsible for more than half of all local public transport services: its four metro lines and 114 bus lines carry 1.2 million people daily. There are 93 metro stations and a fleet of 269 trains covers an annual total of 1,489 million kilometres and carries almost 250 million people. It has more than 1,000 buses on 114 routes, covering 676 million kilometres and carrying more than 217 million people annually. Hamburg aims to have an emissions-free bus fleet by 2030.

Rating History

Date	Long-Term Foreign-Currency IDR	Long-Term Local-Currency IDR
21 Sep 20	AAA	AAA

Source: Fitch Ratings

Standalone Credit Profile (SCP) Derivation	
Revenue Defensibility	Stronger
Operating Risk	Midrange
Leverage Ratio (Rating Case Scenario)	19.5
Qualitative Factors Adjustments	Neutral
GRE SCP	bb
Distance - Notching Guideline Table	>4

Sponsor IDR GRE SCP			GRE IDR
AAA	aaa		AAA
AA+	aa+		AA+
AA	aa		AA
AA-	aa-		AA-
A+	a+		A+
A	a		A
A-	a-		A-
BBB+	bbb+		BBB+
BBB	bbb		BBB
BBB-	bbb-		BBB-
BB+	bb+		BB+
BB	bb		BB
BB-	bb-		BB-
B+	b+		B+
B	b		B
B-	b-		B-
CCC/CC/C	ccc/cc/c		CCC/CC/C

Summary	
Sponsor IDR/CO	AAA
GRE SCP	bb
Distance Sponsor IDR/CO vs GRE SCP	11
GRE Support Score	45
Notching Approach	Equalised
GRE Suggested IDR/CO	AAA
Single Equalisation Factor	Yes
GRE IDR	AAA

Hochbahn signed a direct award of service contract (Direktvergabe), effective 27 November 2019, to provide bus services for another 10 years and metro services for 22.5 years.

Hamburg considers Hochbahn to be core for meeting growing demand for public transport in Hamburg, which aims to establish supply-driven local services to provide access to public transport within five minutes' journey time. This should increase the share of public transport in Hamburg from 22% to 30% by 2030. This may almost double the bus services provided by the traffic association HVV (Hamburger Verkehrsverbund¹). Hochbahn's share will then be 67%. This corresponds also to an increase of 2,000 full-time employees.

HOCHBAHN – Ownership Structure



Source: Fitch Ratings, Hamburger Hochbahn AG

Support Rating Factors

Hamburger Hochbahn AG – Assessment of the Support

Status, ownership, and control	Support track record	Socio-political implications of default	Financial implications of default	GRE score
Very Strong	Very Strong	Moderate	Very Strong	45

Source: Fitch Ratings

Status, Ownership and Control: Very Strong

We view HGV as being an organisational unit, but that Hamburg is ultimately liable for Hochbahn, the largest local public transport provider in Hamburg with a market share of almost 58% in 2018. Hochbahn's bus and metro services are almost entirely confined to the borders of the metropolitan area of Hamburg. Hochbahn has a share of almost 87% of bus and metro services and its only competitor is Verkehrsbetriebe Hamburg-Holstein (VHH, another entirely Hamburg-owned GRE) with the remaining 13% (calculated by revenue distribution). Hochbahn also manages the local network infrastructure. It has a strategic role in Hamburg's local transportation and environmental planning policy.

Hochbahn's financials are consolidated in Hamburg's group accounts. Hamburg is the public transport provider and controls Hochbahn, as well as other administrative units. Hamburg put

¹ HVV is a transport association, comprising the City of Hamburg, and neighbouring areas in the German States of Schleswig-Holstein (AAA/Stable) and Lower Saxony (AAA/Stable), founded on 29 November 1965. Within this association, transportation services are provided by 29 companies, such as Hochbahn, S-Bahn Hamburg AG, DB Regio und Start Unterelbe GmbH, VHH, HADAG etc. HVV is owned by its local and regional governments that are responsible for providing public transport in the service area. It is 85.5% owned by the State of Hamburg, 3% by Schleswig-Holstein, 2% by Lower Saxony and the remainder is owned by counties in neighbouring areas of Hamburg.

Hochbahn in charge of providing the city's public transport services in 2009 and renewed its remits at end-November 2019.

Hochbahn's management board consists of four members that are appointed by the supervisory board. Hamburg has eight representatives on the 16-member supervisory board, including one from HGV and one from Hamburg's Department of Transport and Mobility (Senatsbehörde für Verkehr und Mobilitätswende). This ensures Hamburg's control of Hochbahn.

Hochbahn could be subject to bankruptcy proceedings as it operates under private/commercial law. This is very unlikely, however, due to its control by Hamburg and the profit-and-loss transfer agreement between HGV and Hochbahn. Were Hochbahn to be declared bankrupt, the contract would need to be terminated and HGV would have to provide security to Hochbahn's creditors. Consequently, we view a liquidation of Hochbahn as very unlikely and assume additional support prior to a default as highly likely.

Support Track Record: Very Strong

Hochbahn is not subject to EU competition rules and there are no restrictions on government support.

Hamburg required Hochbahn and VHH to create the requirements for a direct award of a service contract (Direktvergabe) in line with EU provision No. 1370/2007 in 2014. The agreement was signed with Hochbahn on 27 November 2019. The respective passenger transport act further ensures that Hochbahn is protected from competition for the lifetime of this contract. This means that local public transport in Hamburg is provided by consolidated GREs based on exclusive special provisions for public services and is in line with the law for granting aid and EU competition law.

Hochbahn is the largest transport provider by market share in Hamburg, ensuring mobility even in remote areas and provides essential public services (Daseinsvorsorge). Provision of service to Hamburg and its metropolitan area means that some of Hochbahn lines are not profitable. Due to this, Hochbahn and Hamburg agreed on a profit-and-loss transfer agreement, under which Hamburg ensures annual deficit compensation (Fehlbetragsausgleich) and Hochbahn is eligible for and receives consistent support.

Hochbahn further receives funding for Hamburg-promoted investments, such as the extension of services or expanding the metro lines. According to Hochbahn's business plan, these will total EUR297 million in 2020-2023. Hochbahn schedules total investments of EUR2,644 million in 2022-2026 (of which EUR516.9 million in 2022 and EUR661.3 million 2023), to be largely debt-funded.

Hochbahn has a cash-pooling agreement with its owner. This means Hochbahn is not reliant on credit lines with financial institutions but can access liquidity from HGV, preventing Hochbahn from running out of liquidity.

Socio-Political Implications of Default: Moderate

We believe it would be difficult to substitute Hochbahn with a private company because some of its services are unprofitable and as the profit-and-loss agreement with HGV covers Hochbahn's deficits.

Disruption to the provision of local public transport services in one of the largest cities in Germany would have significant political or economic repercussions for Hamburg. However, because we consider this factor as being driven by the financial implications of default, Hochbahn's financial default would not materially affect the provision of its essential public services nor undermine the GRE's mission. We view this factor as having moderate implications overall.

Financial Implications of Default: Very Strong

Hochbahn is core to the "Hamburg-Takt" scheme and is also central to Hamburg achieving its climate goals, including the conversion of its fleet to emissions-free vehicles. Hochbahn is leading a central government-supported project to test digital mobility solutions. Hochbahn receives subsidies from the city for promoting investments, but this requires Hochbahn to increase its debt. However, we assume it is very likely that Hamburg would support Hochbahn given the importance to Hamburg of the investments.

Hamburg reports by group accounting and all its GREs are gathered under HGV. If a GRE defaulted on its obligations, the borrowing capacity of Hamburg and its other GREs would be significantly impaired. Hamburg is one of 16 German states, the largest subnational borrowing group that frequently needs to tap the capital market. Any doubts about Hamburg's capacity to service its own debt as well as that of its GREs would lead to severe negative repercussions on its creditworthiness and borrowing capacity.

Single Factors Leading to Equalisation

The assessment of Hochbahn's rating factors leads to a score of 45 under our GRE criteria. However, Hochbahn's rating are equalised with those of Hamburg, reflecting our view that its legal status is tantamount to a guarantee (see *Rating Synopsis* above).

Standalone Credit Profile Assessment

Summary

Revenue defensibility	Operating risk	Leverage ratio (x), (2025)rc	Negative impact of liquidity profile	Asymmetric risks	SCP
Strong	Midrange	19.5	No	No	bb

rc: Fitch's rating-case scenario
Source: Fitch Ratings

Revenue Defensibility: Stronger

The assessment of this factor reflects the 'Stronger' assessment of demand attributes and the 'Moderate' assessment of its pricing characteristics.

Demand Attributes

Fitch assesses demand as 'Stronger'. The most significant revenue item – usage fees – accounted for more than 70% of its operating revenue in 2021. Demand is pretty stable and Hochbahn reported an increasing customer base until the Covid-19 pandemic-related lockdown measures. Demand subsequently declined significantly in 1H20, which we consider to be a one-off, and is now increasing again. Hochbahn's profit-and-loss transfer agreement with Hamburg means it can rely on a 'AAA' counterparty to compensate for losses.

Hochbahn's customer base is diversified and is not very sensitive to economic cycles, and under normal circumstance local public transportation usage is stable.

We expect demand to grow in the longer term, in light of Hamburg's plans to expand local public transport and the region's economic prospects. Furthermore, demand is not affected by competition from other providers. Hochbahn is not subject to EU competition rules and there are no restrictions on government support.

Pricing Characteristics

Hochbahn can adjust its prices to meet changes in staffing and maintenance costs. These adjustments are politically sensitive and need the approval from the state's Senate, but Hochbahn is usually compensated for inflationary trends by its owner. We assume tariff changes are unlikely to affect demand, and the regulatory regime aims to maintain compensation for services, supporting Hochbahn's solvency.

Operating Risk: Midrange

Fitch assesses 'Operating Risk' at 'Midrange' with 'Operating Costs' assessed at 'Midrange' and 'Resource Management Risk' assessed at 'Stronger'.

Operating Costs

Hochbahn has well-identified cost drivers and low potential volatility in major items. In 2021, about half of opex consisted of staff costs and 42% of maintenance costs (which includes energy consumption).

Revenue Breakdown 2021

	EURm	(%)
Turnover	438.9	70.2
Capitalised services	33.3	5.3
Other operating revenue	153.0	24.5
Operating revenue	625.2	100.0

Memo

Financial revenue	7.3	
Capital revenue	-	
Exceptional revenue	150.5	
Other		

Source: Fitch Ratings, Hochbahn

Expenditure Breakdown (2021)

	EURm	(%)
Maintenance costs	273.8	41.5
Staff costs	330.0	50.0
Other operating expenditure	56.8	8.5
Operating expenditure	660.6	100.0

Memo

Financial charges	20.4	
Capital expenditure	327.5	
Exceptional expenditure	-	
Other	0.5	

Source: Fitch Ratings, Hochbahn

Under the city's "Hamburg-Takt" strategy, Hochbahn faces major investments until 2023, but we assume some flexibility in realisation and that it would receive adequate compensation. Growing operating and maintenance costs are covered by annual tariff price adjustments.

Resource Management

Hochbahn operates in one of the most economically strong regions in Germany, with an ample workforce. The local infrastructure is excellent and Hamburg has one of the largest harbours in Germany. Hochbahn through its long operating history is well-experienced in managing contract renewals, such as energy. Based on the profit-and-loss transfer agreement with its owner, we assume a full pass-through of supply price and volume risk to a financially strong counterparty, if necessary.

Capital Planning and Management: Neutral

Hochbahn applies an annual accounting and a comprehensive medium-term financial plan that fully details investments by project. Hochbahn has a history of effective cost and capital management and its debt maturity is well within the expected economic life of the debt-financed investments. Hochbahn's technology in the metro is up-to-date while for the bus service it is subject to renewal towards an entirely emissions-free fleet.

Financial Profile: Weaker

In our rating-case scenario, we expect Hochbahn's leverage ratio (net adjusted debt/EBITDA) to decrease to 15.1x in 2025 (2021: 17.6x).

Net Adjusted Debt/EBITDA - Fitch's Base and Rating Case Scenarios



Source: Fitch Ratings, Issuer

Fitch's Base and Rating Cases Main Assumptions

	2016-2020 CAGR	2021-2025 CAGR	
		Base case	Rating case
National nominal GDP growth (Fitch's assumptions) ^a	0.5	2.1	-
Operating revenue growth (%)	5.2	4.0	4.3
Consumer Prices ^a	1.1	3.9	-
Operating expenditure growth (%)	5.0	2.3	2.3
Net capital expenditure (average per year; EURm)	350	309	309
Apparent cost of debt (%), last year	1.6	1.1	1.1

^a Macro assumptions are based on Fitch's sovereign assumptions for 2022-2023.
Source: Fitch Ratings

Fitch's rating-case scenario is based on prudent assumptions. Hochbahn is loss-making and receives annual compensation from its owner. Hochbahn's debt increased to EUR1,455 million in 2021 from EUR652 million in 2017, due to the expansion of the transport network and the modernisation of its fleet; this corresponded to an increase in leverage to 17.6x from 9.5x.

For 2021-2025, Hochbahn faces high annual net investments needs of between EUR194 million and EUR464 million. Therefore, debt is likely to nearly double to close to EUR2 billion in 2025. Hochbahn should receive full compensation for the losses envisaged in its medium-term plan owing to the profit-and-loss-making transfer agreement, thereby limiting any increase in leverage. According to our rating case, Hochbahn's leverage is likely to decline to 15.1x in 2025 from 17.6x in 2021, as we expect the revenues to improve post its pandemic-decline faced in 2020 and 2021.

Financial and Liquidity Profile Ratios:

- **Leverage:** net adjusted debt / EBITDA (x)
- **Gross Interest Coverage:** EBITDA / gross interest (x)
- **Liquidity Cushion:** (EBITDA + Unrestricted cash & investments – annual debt service + available lines of credit, not yet drawn) / cash opex

Fitch's Rating-Case Scenario:

The rating case is a through-the-cycle scenario that incorporates a combination of revenue, cost or financial risk stresses

Liquidity Profile: Neutral

Fitch views Hochbahn's liquidity profile as 'Neutral'. Its liquidity cushion is below the threshold for a neutral assessment of 0.33. However, Hochbahn has a cash-pooling agreement with HGV and we understand Hochbahn can access liquidity from HGV, if necessary.

Hochbahn frequently accesses HGV for short-term funding to address gaps. It could also request bridge financing from its owner and therefore would be no need for having committed credit lines with banks.

Asymmetric Risks

Debt structure and contingent liabilities	Management and governance	Legal and regulatory	Information quality	Country ceiling and legal regime
Neutral	Neutral	Neutral	Neutral	Neutral

Source: Fitch Ratings

Debt Structure

At end- 2021, Hochbahn's total direct debt amounted to EUR1,465 million, with EUR965 million being bank loans and EUR500 million bonds issued in the Green Bond format. The cost of debt is fairly low and was below 1% at end-2021 and the maturity profile is fairly even with no concentration risk. About EUR100 million of its debt is due annually between 2022 and 2027 (below 10% of its direct debt) and the Green Bond will mature in 2031. We expect the refinancing of this bond to be fairly low risk, considering the large amount of projects Hochbahn can ensure in term of green or sustainable funding, and given high demand for the first green bond issue. Hochbahn's current debt portfolio is not exposed to interest-rate change risk as all its debt is at fixed rates.

Hochbahn has no committed credit lines but very good access to liquidity. Short-term liquidity needs are covered via the cash-pooling agreement, to which Hochbahn and all other shareholdings belonging to HGV have been entered. This means excess cash will be distributed among Hamburg's shareholdings (pooled in HGV) that have liquidity needs.

Liquidity Cushion Calculation

(EURm)	2021+1rc
Total cash, liquid investments, and sinking Funds, end-2021	186
Restricted cash, end of 2021	
Unrestricted cash, liquid deposits, and sinking funds, end-2021	8
Undrawn committed credit lines, end of 2021	0
EBITDA, 2022	121
Debt service, 2022	137
Cash operating expenditure, 2022	715
Liquidity cushion (x)	0.25

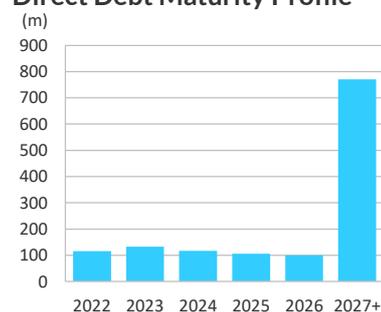
rc: rating-case scenario
Source: Fitch Ratings, Hochbahn

Debt Analysis

	End-2021
Debt in foreign currency/total debt (%)	0.0
Debt at floating interest rates/total debt (%)	0.0
Issued debt/total debt (%)	34.1
Short-term debt/total debt (%)	0
Average cost of debt (%)	0.8
Weighted average life of debt (years)	8.4

Source: Fitch Ratings, Hochbahn

Direct Debt Maturity Profile



Source: Fitch Ratings, Hochbahn

Short-Term Rating Derivation

The State of Hamburg is rated 'AAA/Stable/F1+', the same as all other publicly rated German states, whose ratings are linked to that of Germany (AAA/Stable/F1+). This rating approach also considers the states' access to liquidity from a wide range of sources as well as Deutsche Finanzagentur (the central service provider for Germany's borrowing and debt management) as liquidity provider of last resort. Hochbahn has a cash-pooling arrangement with HGV and we assume Hochbahn could also tap Hamburg for liquidity if necessary. We assess Hochbahn's Short-Term IDR to be equalised with that of its sponsor, given Hamburg's good access to liquidity and the strong link between the two entities.

Peer Analysis

Peers

Issuers	Sponsor	GRE score	Leverage, 2025rc	SCP	IDR	Rating approach
Hamburger Hochbahn AG	Hamburg	45	15.1	bb	AAA	Equalised
ADIF - Alta Velocidad	Spain	50	33.8	b	A-	Equalised
Regie Autonomes des Transports Parisiens (RATP)	France	45	10.8	a-	AA	Equalised
Societe du Grand Paris	France	45	-	n.a.	AA	Equalised
Transport for London	United Kingdom	40	12.0	bbb+	A+	Top-down-1
Polskie Koleje Panstwowe S.A.	Poland	30	6.1	bbb-	A-	Top-down-1
Administrador de Infraestructuras Ferroviarias (ADIF)	Spain	50	5.5	WD	A-	Equalised

Source: Fitch Ratings

We view Regie Autonome des Transports Parisiens (RATP) and Transport for London as comparable peers, as they provide public transport services in large conurbations. They are largely controlled by and receive support from their owners and their default would be likely to have negative political repercussions. They also acting as a proxy-funding vehicle on behalf of their owner, so a financial default would endanger the funding capacity of other GREs as well as the government.

Hochbahn's SCP is limited by its fairly high leverage, which will increase slightly under our rating-case scenario. New investments are debt-funded, but this increase in debt is mitigated by stronger EBITDA, once the additional metro and bus lines and the overall service extension are operative. This should ensure the sustainability of Hochbahn's increasing debt burden.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3' – 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. For more information on our ESG Relevance Scores, visit <https://www.fitchratings.com/site/esg>.

Appendix A: Financial Data

Hamburger Hochbahn AG

(EURm)	2017	2018	2019	2020	2021
Income statement					
Turnover	525.1	537.4	534.3	458.2	438.9
Staff expenditure	-253.1	-266.4	-274.3	-328.8	-330.0
Depreciation	-75.1	-77.4	-85.2	-93.1	-101.4
Other operating revenue and expenditure	-228.9	-234.3	-229.7	-133.0	-144.3
Operating balance before transfers and grants	-32.0	-40.7	-54.9	-96.7	-136.8
Transfers and grants from public sector	44.9	51.0	68.8	113.4	150.5
Operating balance after transfers and grants	12.9	10.3	13.9	16.7	13.7
Interest revenue	0.0	0.0	0.0	0.0	0.0
Interest expenditure	-21.1	-24.0	-23.1	-22.2	-20.4
Operating balance after financing	-8.2	-13.7	-9.2	-5.5	-6.7
Income from investments	8.6	14.1	9.6	6.1	7.3
Profit (loss) before taxation	0.4	0.4	0.4	0.6	0.5
Taxation	-0.4	-0.4	-0.4	-0.6	0.5
Profit (loss) after tax	0.0	0.0	0.0	0.0	0.0
Net profit (loss)	0.0	0.0	0.0	0.0	0.0
Balance sheet					
Assets					
Tangible assets	913.3	1,065.2	1,244.9	1,329.2	1,472.6
Intangible assets	2.4	5.3	16.8	20.1	24.0
Other long-term assets	0.0	0.0	0.0	0.0	0.0
Long-term investments	153.4	163.4	148.1	149.6	151.7
Stock	19.8	23.5	25.2	27.2	33.2
Trade debtors	57.8	68.6	60.0	66.7	369.5
Other current assets	2.2	2.3	24.4	22.7	19.9
Total cash, liquid investments and sinking fund	7.7	11.2	9.9	80.6	7.8
Total assets	1,156.6	1,399.5	1,529.3	1,702.2	2,087.8
Liabilities and equity					
Long-term debt	652.4	816.7	1,065.1	1,051.1	1,454.6
Other long-term liabilities	219.3	222.2	200.5	202.6	181.8
Short-term debt	0.0	0.0	0.0	0.0	0.0
Trade creditors	107.6	109.1	81.1	263.9	269.4
Other short-term liabilities	34.9	24.1	15.2	16.0	14.5
Equity	142.4	167.4	167.4	167.4	167.4
Total liabilities and equity	1,156.6	1,399.5	1,529.3	1,702.2	2,087.8

Source: Fitch Ratings, Hochbahn

Appendix B: Financial Ratios

Hamburger Hochbahn AG

Ratio analysis	2017	2018	2019	2020	2021
Income statement ratios					
Operating revenue growth (annual % change)	4.3	3.7	7.2	6.9	5.7
Operating expenditure growth (annual % change)	4.2	4.2	6.8	6.6	6.3
EBITDA/operating revenue (%)	11.3	10.5	10.6	11.4	11.0
CFADS/revenue available for debt service (%)	0.1	0.1	0.1	0.1	0.1
Personnel costs/operating expenditure (%)	47.8	48.2	46.7	52.7	50.0
Total transfers from public sector/operating revenue and ad-hoc transfers (%)	7.5	8.3	10.5	16.1	20.3
Balance sheet ratios					
Current assets/adjusted debt (%)	13.4	12.9	11.2	19.3	30.2
Current assets/total assets (%)	7.6	7.9	7.8	11.9	21.1
Total assets/adjusted debt (%)	177.3	164.0	143.6	161.9	143.5
Return on equity (%)	7.9	7.2	5.9	0.0	0.1
Return on assets (%)	1.0	0.9	0.6	0.0	0.0
Debt ratios					
Net adjusted debt/EBITDA (x)	9.5	12.4	15.1	12.0	17.6
Net adjusted debt/CFADS (x)	9.5	12.4	15.1	12.0	17.6
EBITDA/gross interest coverage (x)	3.2	2.7	3.0	3.6	4.0
CFADS/gross interest coverage (x)	3.2	2.7	3.0	3.6	4.0
Net adjusted debt/operating revenue (%)	104.4	125.8	153.7	131.6	185.3
Net adjusted debt/equity (%)	452.7	481.2	630.4	576.7	858.8
Liquidity ratios					
Liquidity cushion (x)	0.1	0.1	0.1	0.1	0.2
Coverage ratio (short-term rating criteria; x)	10.4	9.4	9.2	5.4	17.6
Source: Fitch Ratings, Hochbahn					

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