FitchRatings

Public Finance
Government-Related Entities
United Kingdom

Transport for London

The revision of the Outlook on Transport for London (TfL) to Stable from Negative reflects a similar change in its sponsor, the UK (AA-/Stable/F1+) on 22 March 2024.

The upgrade of TfL's Standalone Credit Profile (SCP) to 'a' from 'a-' reflects the application of Fitch Ratings' revised rating criteria. Combined with a score of 40 points under Fitch's *Government-Related Entities Rating Criteria*, TfL's Issuer Default Ratings (IDRs) are equalised with those of the UK.

Key Rating Drivers

Support Score Assessment: 'Extremely Likely'

We assess the expectation of extraordinary support from the UK as 'Extremely Likely', if necessary, as reflected in a score of 40 points out of 60 under our *Government Related Entities Rating Criteria*.

We assess both 'responsibility to support' factors – 'decision-making and oversight', and 'precedents of support' – as 'Strong', reflecting the sponsor's control and support mechanisms, including past support (primarily in the way of grant funding) that enabled TfL to maintain its financial profile. In addition, TfL has received short-term, extraordinary government support to fund its operations.

We assess sub-factors related to 'incentive to support' – categorised as 'preservation of government policy rule' as 'Strong' and 'contagion risk' as 'Very Strong', considering TfL's role as an important public service and the risk of contagion risk to other local authorities if it were to default.

Standalone Credit Profile: 'a'

TfL's SCP at 'a' reflects the combination of a 'Stronger' risk profile and a financial profile assessed in the 'bbb' category. In particular, we expect the leverage ratio, measured by net adjusted debt/EBITDA, to average 9x-10x in our rating-case scenario, down from 14x in the Covid-19 pandemic year of 2021. Prudent management and extraordinary state support have helped TfL return to a strong financial position after a pandemic-induced deterioration

Ratings

Foreign Currency	
Long-Term IDR	AA-
Short-Term IDR	F1+
Local Currency	
Long-Term IDR	AA-
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable
Debt Ratings	
Senior Unsecured Debt - Long-Term Rating	AA-
Senior Unsecured Debt - Short-Term Rating	F1+

Issuer Profile Summary

TfL is a statutory body established under the Greater London Authority Act 1999. Its main activity is the provision of integrated transport facilities and services in Greater London, including buses, London Underground, Docklands Light Railway, London Overground, TfL Rail/Elizabeth line, trams, the management of certain roads in London and the Congestion Charge and ULEZ schemes, cycling, river services, the licensing of taxi and private hire.

Financial Data Summary

(GBPm)	2023	2028rc
Net adjusted debt/CFADS (x)	6.1	8.9
CFADS/gross interest coverage (x)	4.4	3.0
Operating revenue	8,817	9,503
CFADS	2,296	1,746
Net adjusted debt	13,936	15,458
Total assets	52,586	-

rc: Fitch's rating-case scenario
Source: Fitch Ratings, Fitch Solutions, Transport for London

Applicable Criteria

Public Policy Revenue-Supported Entities Rating Criteria (January 2024)

Government-Related Entities Rating Criteria (January 2024)

Related Research

Sovereign Support Drives Majority of SSA-50 Ratings (September 2023)

EMEA & LatAm Mass Transit Issuers Still Need Government Support Post-Pandemic (August 2023)

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Rating Synopsis

Transport for London Rating Derivation

Summary	
Government LT IDR	AA-
GRE Standalone Credit Profile (SCP)	a
Support category	Extremely likely
Notching expression	Equalised
Single equalisation factor	No
GRE LT IDR	AA-

GRE Key Risk Factors and Support Score	
Responsibility to support	10
Decision making and oversight	Strong
Precedents of support	Strong
Incentives to support	30
Preservation of government policy role	Strong
Contagion risk	Very Strong
Support score	40 (max 60)

Standalone Credit Profile	
Risk profile	Stronger
Revenue risk	Stronger
Expenditure risk	Stronger
Liabilities and liquidity risk	Stronger
Financial profile	bbb
Qualitative factors adjustments	Neutral
GRE SCP	a

Distance / Support score	>=45	35-42.5	30-32.5	20-25	15	12.5	<=10
SCP > IDR	S-A/Cap	S-A/Cap	S-A/Cap	S-A/Cap	S-A/Cap	S-A/Cap	S-A/Cap
0	0	0	0	S-A	S-A	S-A	S-A
-1	0	0	0	+1/S-A	S-A	S-A	S-A
-2	0	0	0	+1	S-A	S-A	S-A
-3	0	0	-1	+1	S-A	S-A	S-A
-4	0	-1	-2	+1	S-A	S-A	S-A
-5	0	-1	-2	+2	+1	S-A	S-A
-6	0	-1	-2	+3	+2	+1	S-A
-7	0	-1	-2	+4	+2	+1	S-A
-8	0	-1	-2	+4	+3	+1	S-A
-9	0	-1	-2	+5	+3	+1	S-A
-10	0	-2	-3	+5	+3	+1	S-A

Stylized Notching Guideline Table: refer to GRE criteria for details

Government LT IDR	GRE SCP	GRE LT 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+	ccc+	CCC+
CCC	ccc	CCC
CCC-	ccc-	CCC-
CC	cc	CC
C	c	C
RD	rd	RD
D	d	D

Analytical Outcome Guidance Table

Risk profile	Financial profile					
Stronger	aaa or aa	a	bbb	bb	b	
High Midrange	aaa	aa	a	bbb	bb	b
Midrange		aaa	aa	a	bbb	bb or below
Low Midrange			aaa	aa	a	bbb or below
Weaker				aaa	aa	a or below
Vulnerable					aaa	aa or below
Suggested analytical outcome	aaa	aa	a	bbb	bb	b

LT IDR – Long-Term Issuer Default Rating; GRE – Government-related entity
Source: Fitch Ratings

The ‘a’ SCP is driven by our assessment of a ‘Stronger’ risk profile and ‘bbb’ financial profile, and comparison with peers in the mass transit sector.

Fitch views TfL as a government-related entity in the UK, with a support score of 40 points out of a total 60, indicating extraordinary support from the sponsor to be ‘Extremely Likely’ if needed. Combined with an SCP of ‘a’, this results in the IDR being equalised with the sponsor, the UK.

Rating Sensitivities

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

Positive Rating Action: Improvement in financial profile through the cycle, specifically a sustained improvement of the net adjusted debt/EBITDA ratio below 10x under Fitch’s rating case, alongside an upgrade to the sovereign.

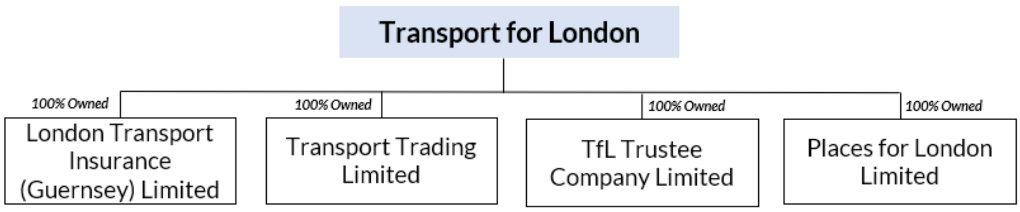
Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

Negative Rating Action: A change in the assessment of the factors under the GRE Rating Criteria, or a sustained weakening in the financial profile, with net debt/EBITDA above 12x for a sustained period. A negative action on the sovereign would also directly affect the rating.

Issuer Profile

TfL is a statutory body established under the Greater London Authority Act 1999. Its main activity is the provision of integrated transport facilities and services in Greater London, including buses, London Underground, Docklands Light Railway, London Overground, TfL Rail/Elizabeth line, trams, the management of certain roads in London and the Congestion Charge and Ultra Low Emission Zone (ULEZ) scheme, cycling, river services, the licensing of taxi and private hire.

Group Organisational Structure



Note: Transport Trading Limited has many subsidiaries, listed here
Source: Fitch Ratings

Support Rating Factors

Summary

Responsibility to support		Incentives to support		Support score	Support category
Decision making and oversight	Precedents of support	Preservation of government policy role	Contagion risk		
Strong	Strong	Strong	Very Strong	40 (max 60)	Extremely Likely

Source: Fitch Ratings

Decision Making and Oversight

TfL's legal status is that of a statutory corporation subject to local government finance rules and, as such, it must produce a balanced budget each year. TfL is a functional body of the GLA and reports to the mayor of London, who is the chair of the board. The mayor appoints the board members and develops and publishes a transport strategy reflecting national and local priorities. Since 2004, a prudential scheme for local authorities has been in place, allowing TfL to borrow up to authorised limits.

Precedents of Support

Fitch considers strong likelihood of continued support for TfL from the UK government, via the Department for Transport (DfT) and the GLA, given TfL's critical role as an essential mass transit service provider in London's metropolitan area. The government has expressed its support for TfL's long-term commitments, although it did not specifically subsidise TfL's investment plan from April 2017 until the most recent capital funding settlement (with the exclusion of the Elizabeth line). Since then, the investment plan has included the recently opened Elizabeth line, the extensive modernisation of underground metro services and stations, and the transformation of the road network. The investment grant from the UK government was replaced in April 2017 with a business rates grant from the GLA.

The majority of the grant TfL receives is through business rates collected and distributed by the GLA. In December 2023, the government agreed to provide an additional GBP250 million in capital funding settlement, which runs to March 2025, although most of it was paid to TfL by the government during FY24.

During the pandemic, TfL received further one-off grants from the government to maintain operations and financial stability. This support was not immediate, and allowed for some financial deterioration. It was also initially provided partially as a loan; therefore, we consider an assessment of 'Strong' more appropriate than 'Very Strong'.

Preservation of Government Policy Role

TfL is strategically important for London and the UK economy. Prior to the pandemic, around 4 billion journeys were made annually on TfL's services. TfL would be difficult to substitute in the short-to-medium term, with the transition process likely to lead to severe service disruption. Financial default would temporarily endanger the continued provision of essential public services and hamper TfL's investment programme. Disruption would lead to significant political or economic repercussions.

Contagion Risk

We assess the financial implications of a TfL default as 'Very Strong'. Should TfL fail to meet its debt obligations, it would significantly affect the perception and conditions of lending to other UK GREs, prompting a significant reassessment of the public sector's financial risk and potentially leading to more stringent lending conditions. Other than funding received from PWLB (a lending facility operated by the UK Debt Management Office) and the UK Infrastructure Bank (UKIB), we believe TfL's other sources including the capital market (17% of TfL's borrowing following bond repayment and buyback during financial year to March 2023)) would restrict funding.

Moreover, TfL's financial stability is instrumental in shaping lenders' and potential lenders' perceptions of the government's ability to support its GREs. A default could be interpreted as a broader signal of the administration's financial limitations, which might shake confidence and lead to a re-evaluation of its role as a guarantor.

Standalone Credit Profile Assessment

TfL's newly assessed 'a' SCP reflects the combination of a 'Stronger' risk profile and a financial profile assessed in the 'bbb' category, with forecast leverage of close to 9.7x in our rating case (2023: 6.1x).

Risk Profile Assessment

Summary

Revenue risk	Expenditure risk	Liabilities and liquidity risk	Operating environment score	Risk profile
Stronger	Stronger	Stronger	aa	**Stronger**

Source: Fitch Ratings

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

Revenue Risk: Stronger

Demand Assessed as Stronger

TfL's revenue defensibility is driven by a strong demand assessment. TfL historically has had strong demand, but passenger revenue declined by 95% during the pandemic. In 2022-2023, passenger demand increased to about 85% of pre-pandemic levels from 68%, with a further 6% expected in demand growth in 2024-2025. We consider the pandemic to be an exceptional situation when demand was artificially constrained by government measures.

We expect passenger demand to return to high levels through the cycle, despite the effects of the pandemic, lockdowns, and increased remote working. TfL has limited pricing power, but we consider the overall assessment to be strong given the lack of other public transport alternatives in London.

Pricing Assessed as Midrange

Fitch considers the pricing characteristic as 'Midrange', reflecting that TfL does not possess the unilateral capability to adjust fares to fully cover operational costs. The mayor of London sets fares in consultation with TfL, and within the context of a balanced budget. The mayor froze all TfL-controlled fares for four years until 2020. Fares again increased from 2021 by RPI plus 1%. This was required as part of the ongoing support agreement with central government. TfL has continued to increase fares, with the 2023 increase announced at about 6%, below inflation.

In January 2024, the mayor announced a fare freeze at the current rates until March 2025, supported by a GBP123 million allocation from the GLA.

Daily/weekly caps and travelcards are linked to the national government policy on rail fares and have continued to increase in line with national fares. Passenger fares on London Underground, rail and bus networks represent more than 70% of its revenue, the largest share of TfL income (excluding grant income received).

In TfL's latest business plan for operations, funding primarily comes from fares, business rates from the GLA and other operating income. About GBP1 billion annually of business rates retention had previously been included in the capital plan; however, as these are not ring-fenced and can be used for investment and operating purposes (such as debt service) they were reclassified by TfL in 2023.

The UK left the EU on 1 January 2021 and therefore EU regulation no longer has an impact on operations with regard to support allowed, and requirement to procure services externally.

Revenue Breakdown Excluding Non-Cash Items, 2023

	(GBPm)	% of operating revenue
Passenger income	4,047	46
Transfers and grants	3,014	34
Other income	1,757	20
Transfers from the government	0	0
Other operating revenue	0	0
Operating revenue	**8,817**	**100**
Interest revenue	0	-
Capital revenue	592	-
Memo: Non-cash operating revenue	0	-

Source: Fitch Ratings, Fitch Solutions, Transport for London

Expenditure Risk: Stronger

Our assessment of expenditure risk is driven by a 'Stronger' assessment for operating costs and supply risk, and a 'Stronger' assessment for Investment planning.

Operating Costs and Supply Risk: Stronger

TfL has flexibility over the timing of major life-cycle costs and has the full ability to reduce operations and costs in case of need. TfL is one of the largest employers in London, with an average 28,000 staff (including agency and fixed-term contracts) in FY23, an increase from about 27,000 in FY22. Staffing accounted for 35% of cash operating costs. It faces no constraints for labour or resources in terms of amount, cost or timing. Operating costs have been hit by inflationary pressures, but these have been effectively managed.

In 2018, TfL's business plan included efficiency improvements and aimed to achieve a positive net cost of operations before financing (and after capital renewals) by FY22 and a positive net cost of operations (after net financing cost) by FY23. TfL expected to achieve cost reductions by merging functions, reducing management, cutting expenditure across areas that support operational business, reducing reliance on agency staff, negotiating better deals with suppliers, and scrutinising major project delivery. A lot of these plans were put on hold during the pandemic, but were renewed at the beginning of FY22.

TfL has had a cost-cutting programme in place since 2019, with the intention of saving GBP730 million. By FY22, it had cut costs by GBP400 million; however, as part of its latest funding arrangement with the central government it agreed to aim to save GBP1 billion (in total) by end-FY26. It envisages the additional GB600 million in recurring cost savings will come from supply-chain efficiencies, procurement optimisation (from operational concessions to head office contracts), improving working practices and maintaining tight controls on recruitment and overtime.

Investment Planning: Stronger

Fitch believes TfL has strong mechanisms for investment planning and funding, as it has a clear capital-planning process with a record of generally effective management.

The Elizabeth line was TfL's largest capital expenditure project. The line is a high-frequency, high-capacity service that runs for 73 miles and links 41 stations, 10 of which are new. It is now the third-busiest railway in the UK and has increased London's rail capacity by 10%.

TfL's capital programme was agreed as part of the funding settlement in August 2022, with GBP150 million a year invested across operational and capital budgets for the development and maintenance of infrastructure for safe and active travel. TfL will significantly increase capital renewals to about GBP850 million a year, with the support of the government, from between GBP400 million and GBP600million in the past five years. This will be spent primarily on new rolling stock and replacement signalling to maintain and improve services.

The capital funding agreement of 18 December 2023 supplements the ongoing 20-month funding from August 2022 and concludes at end- March 2025. GBP245 million of this funding is being provided in FY24 and will be used by TfL for its investment programme, including new trains for the Piccadilly line.

Expenditure Breakdown Excluding Non-Cash Items, 2023

	(GBPm)	% of operating expenditure
Staff costs	2,276	35
Other operating expenditure	4,246	65
Operating expenditure	**6,521**	**100**
Interest expenditure	525	-
Capital expenditure	1,922	-
Memo: Non-cash operating expenditure	1,524	-

Source: Fitch Ratings, Fitch Solutions, Transport for London

Liabilities and Liquidity Risk: Stronger

Debt Characteristics

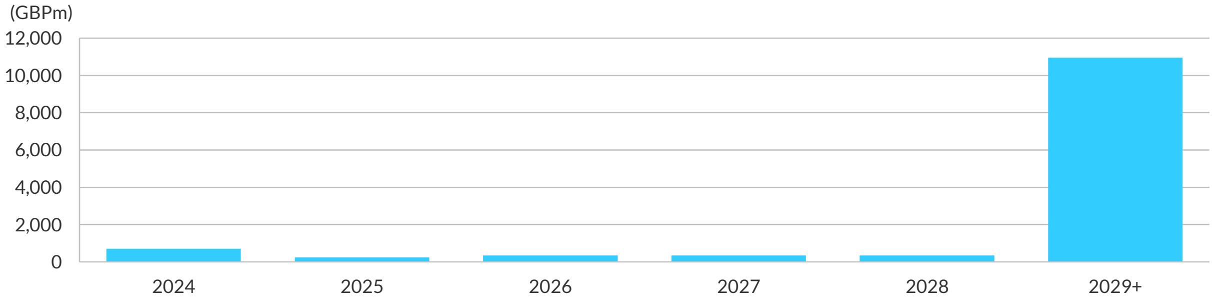
At end-FY23, TfL had about GBP12.9 billion debt and operated in a fully developed financial market (UK). A large proportion of TfL's debt is fixed-rate, which limits exposure to fluctuations in the capital markets. TfL has a strong debt profile with smooth and long-term repayment in place with little short-term debt; the weighted-average life of debt is 19.6 years.

Liquidity Characteristics

TfL had cash and liquid deposits of GBP1.4 billion at FYE23. TfL maintains cash and liquid assets of at least 60 days' worth of operating expenditure, although generally tends to have more.

TfL, in line with other local authorities, may borrow from the PWLB, which provides easy and direct access to funding at very short notice. PWLB will lend any amount to TfL within authorised borrowing limits set by the mayor, at a rate of gilts +80bp. Funds would be credited to TfL within five days of a request.

Financial Debt Maturity Profile, End-2023



Source: Fitch Ratings, Transport for London

Debt and Liquidity Analysis

	End-2023
Total debt (GBPm)	12,911
Cash and liquidity available for debt service (GBPm)	1,403
Undrawn committed credit lines (GBPm)	2,300
Debt in foreign currency (% of total debt)	
Fixed rate (% of total debt)	-
Short-term debt (% of total debt)	4.5
Issued debt (% of total debt)	21.6
Apparent cost of debt (%)	3.3
Weighted average life of debt (years)	19.6

Source: Fitch Ratings, Fitch Solutions, Transport for London

Financial Profile Assessment

Fitch assesses TfL's financial profile as 'bbb' as a result of improved certainty and lower levels of net debt/EBITDA. We expect leverage ratios to be maintained at 9x-10x across the five-year rating case, in line with a 'bbb' assessment.

TfL's financial metrics deteriorated at the beginning of the pandemic and through FY21; however, prudent management and extra support from the government has managed to return it to a strong financial position. Net debt/EBITDA deteriorated to around 14x in FY21 on a fall in passenger revenue while maintaining service levels. The government provided support in various settlement agreements, the first of which included both borrowing and grants. All subsequent agreements were solely grant-funded, but required concessions from TfL including an increase in fares, reviews of policy areas and reduction of costs.

Fitch expects TfL to improve on pre-pandemic EBITDA (FY20: GBP1.4 billion; FY24-28: GBP1.5 billion average) as the increased revenue from the Elizabeth line and Ultra-Low Emission Zone (ULEZ) is collected. Fitch sees more short-term certainty after the latest funding agreement, which runs until March 2025. Fitch expects strong performance to continue in the rating case, under which net debt/EBITDA deteriorates but remains fairly stable from FY23: from 6.1x to 8.9x in FY28, with a peak in FY25 at around 10x.

This recovery from FY21 is led by more passengers, capital projects providing additional capacity (Elizabeth line, extension of the Northern line), additional areas of revenue generation (ULEZ expansion etc.) and strong cost control. This should enable TfL to maintain EBITDA at about GBP1.7 billion without significant increases to expected net debt (FY23: GBP13.9 billion; FY28: GBP15.5 billion).

EBITDA/debt service coverage is stable throughout the rating case with a peak of 1.3x in FY24 before returning to 1.1x in FY28. Other secondary metrics were also stable throughout the rating case. EBITDA/gross interest coverage was at the higher end of the 'bbb' category, with values ranging from 3.1x at its peak (FY24) to 2.6x at its lowest (FY26). The liquidity coverage ratio improves across the rating horizon with a peak of 2.2x in FY26 ('a' category) before reaching 1.5x in FY28.

We assess the overall financial profile at 'bbb', which is in line with the other primary and secondary metrics.

Financial Profile Guidance Table

	Primary Metric	Secondary Metrics		
	Leverage Ratio (x)	Debt Service Coverage Ratio (x)	Gross Interest Coverage Ratio (x)	Liquidity Coverage Ratio (x)
aaa	X ≤ 0	X ≥ 3	X ≥ 10	X ≥ 5
aa	0 < X ≤ 4	2 ≤ X < 3	6 ≤ X < 10	3 ≤ X < 5
a	4 < X ≤ 8	1.4 ≤ X < 2	4 ≤ X < 6	1.8 ≤ X < 3
bbb	**8 < X ≤ 12**	**1 ≤ X < 1.4**	**2 ≤ X < 4**	1.2 ≤ X < 1.8
bb	12 < X ≤ 18	0.6 ≤ X < 1	1 ≤ X < 2	**0.8 ≤ X < 1.2**
b	X > 18	X < 0.6	X < 1	X < 0.8

Note: Yellow highlights show metric ranges applicable to Issuer
Source: Fitch Ratings

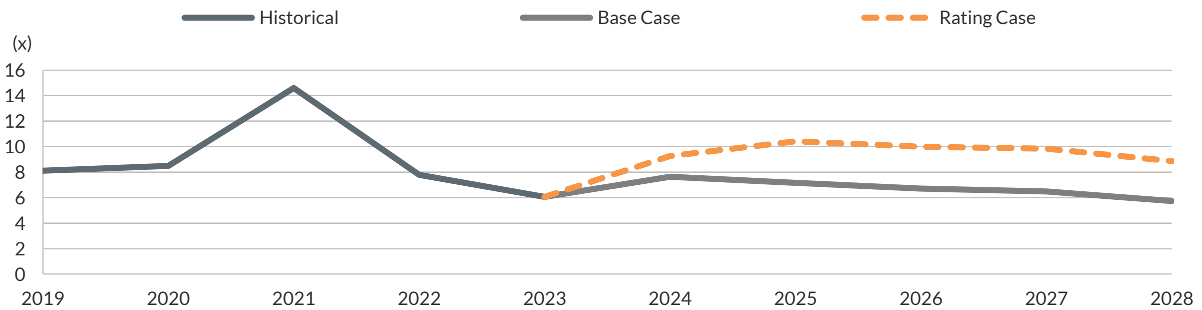
Fitch's Base and Rating Cases - Main Assumptions and Outcomes

Assumptions	Five-year historical average	2024 - 2028 average Base case	2024 - 2028 average Rating case
Operating revenue growth (%)	3.3	2.3	1.5
Transfers from public-sector growth (%)	7.2	-5.1	-5.1
Operating expenditure growth (%)	1.4	3.1	3.5
Net capital expenditure (average per year; GBPm)	-1,337	-1,356	-1,356
Apparent cost of debt, 2023 (%)	3.3	3.2	3.2

Outcomes	2023	2028 Base case	2028 Rating case
EBITDA (GBPm)	2,296	2,276	1,746
Net adjusted debt (GBPm)	13,936	13,075	15,458
Net adjusted debt/EBITDA (x)	6.1	5.7	8.9

Source: Fitch Ratings, Fitch Solutions, Transport for London

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



Source: Fitch Ratings, Fitch Solutions, Transport for London

Additional Risk Factors Considerations

Asymmetric Risk Considerations

Management and Governance	Accounting Policies, Reporting and Transparency	Country Risk and Legal Regime	Asymmetric Risk Impact (notches)
Neutral	Neutral	Neutral	No

Source: Fitch Ratings

Fitch assesses all asymmetric factors as 'Neutral' to the rating. It has acceptable governance, with oversight from a democratically elected mayor and board of non-executives. Fitch has a 'Neutral' assessment for both the legal environment in the UK as well as the quality of information, as TfL publishes annual audited accounts and regular business plans. It operates under English law, considered strong, and the Country Ceiling is 'AAA' .

Short-Term Rating Derivation

The short-term rating has been affirmed at 'F1+', in line with that of the sovereign.

Debt Ratings

TfL's outstanding debt ratings are aligned with TfL's Long-Term Issuer Default Rating, as the notes of each series constitute direct, unconditional, unsubordinated, unsecured obligations of TfL and will rank pari passu among themselves. TfL has a senior unsecured debt rating at 'AA-'.

Peer Analysis

Peers

	Sponsor	GRE Score	Reference leverage (x)	SCP	Issuer LT IDR	Issuer LT IDR
Transport for London	United Kingdom	40	9.7	a	AA-	Equalised
RATP	France	45	11.1	a-	AA-	Equalised
Hamburger Hochbahn	Germany	45	16.4	bb	AAA	Equalised
ATM	City of Milan	25	1.3	a	BBB	Standalone or capped
Trentino Trasporti	Autonomous province of Trento	35	-	-	A-	A-

Note: The assessments for TfL and its peers included in the table are based on the previous criteria, as the peer entities have not yet been evaluated under the new rating criteria.
Source: Fitch Ratings, Transport for London

TfL's closest peer in terms of size and operations is Regie Autonome des Transports Parisiens (RATP) in Paris. Unlike RATP, TfL does not have a service obligation on most of its lines. At the beginning of the pandemic, TfL could be forced to reduce its operations due to a fall in revenue to preserve its financial profile and meet the required local government budge-balance rules.

Due to the lack of potential substitutes, and the major socio-political importance of mass transit operators (especially in comparison with railway operators), we assess TfL and RATP at 'Strong'.

Fitch assesses the financial impact of TfL and RATP as very strong given the importance of debt funding for both operators, their close links with their sponsors, and the fact that they are viewed as proxy financing vehicles by investors.

RATP and TfL benefit from emergency liquidity mechanisms provided by their respective sovereigns (Caisse de la Dette Publique and PWLB). A financial default would question the value of this emergency mechanism for other GREs and LRGs, and significantly impair their borrowing capacity.

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

Appendix A: Financial Data

Transport for London

(GBPm)	2019	2020	2021	2022	2023
Income statement					
Operating revenue	7,706	7,767	6,884	8,000	8,817
Operating expenditure	-7,561	-7,739	-7,277	-7,586	-8,045
Interest revenue	10	15	2	0	0
Interest expenditure	-445	-490	-500	-494	-525
Other non-operating items	947	1,226	181	479	64
Taxation	2	-107	11	-86	5
Profit (loss) after tax	659	671	-700	314	315
Memo: Transfers and grants from public sector	2,050	2,004	4,488	3,687	3,014
Balance sheet summary					
Long-term assets	41,812	46,289	47,321	48,325	50,348
Stakes (equity investment)					
Stock	61	59	52	58	79
Trade debtors	155	100	140	134	134
Other current assets	689	546	470	566	623
Total cash, liquid investments, sinking funds	1,882	2,209	1,729	1,409	1,403
Total assets	44,599	49,203	49,712	50,492	52,586
Long-term liabilities	16,413	17,621	20,182	17,618	14,930
Trade creditors	135	102	165	209	225
Other short-term liabilities	3,198	3,518	3,578	3,518	3,074
Charter capital	0	0	0	0	0
Reserves and retained earnings	24,854	27,962	25,788	29,147	34,357
Minority interests					
Liabilities and equity	44,599	49,203	49,712	50,492	52,586
Net equity	24,854	27,962	25,788	29,147	34,357
Debt statement					
Financial debt - senior	11,696	14,368	15,723	15,632	15,339
Subordinated debt					
Finance leases	551	2,679	2,755	2,666	2,428
Total debt	11,696	14,368	15,723	15,632	15,339
Other Fitch-classified debt	0	0	0	0	0
Adjusted debt	11,696	14,368	15,723	15,632	15,339
Unrestricted cash, liquid investments, sinking funds	1,882	2,209	1,729	1,409	1,403
Net adjusted debt	9,814	12,158	13,994	14,223	13,936
EBITDA reconciliation					
Operating balance	145	28	-392	415	772
+ Depreciation	1,064	1,404	1,345	1,352	1,551
+ Provision and impairments	0	0	6	58	-28
+/- Other non-cash operating expenditures/revenues	0	0	0	0	0
= EBITDA	1,210	1,432	958	1,825	2,296

Source: Fitch Ratings, Fitch Solutions, Transport for London

Appendix B: Financial Ratios

Transport for London

	2019	2020	2021	2022	2023
Income statement ratios (%)					
Operating revenue annual growth	2.6	0.8	-11.4	16.2	10.2
Operating expenditure annual growth	0.7	2.4	-6.0	4.3	6.1
EBITDA/operating revenue	15.7	18.4	13.9	22.8	26.0
Personnel costs/operating expenditure	33.5	34.3	34.2	36.4	34.9
Total transfers from public sector/operating revenue and ad-hoc transfers	26.6	25.8	65.2	46.1	34.2
Balance sheet ratios (%)					
Current assets/adjusted debt	23.8	20.3	15.2	13.9	14.6
Current assets/total assets	6.3	5.9	4.8	4.3	4.3
Total assets/adjusted debt	381.3	342.5	316.2	323.0	342.8
Return on equity	2.7	2.4	-2.7	1.1	0.9
Return on assets	1.5	1.4	-1.4	0.6	0.6
Debt and liquidity ratios					
Net adjusted debt/EBITDA (x)	8.1	8.5	14.6	7.8	6.1
EBITDA/debt service coverage (x)	1.0	1.2	0.7	1.2	1.2
EBITDA/gross interest coverage (x)	3.5	3.1	2.3	4.7	4.5
Liquidity coverage ratio (x)	1.6	1.5	1.6	1.1	0.7
Net adjusted debt/operating revenue (%)	127.4	156.6	203.3	177.8	158.1
Net adjusted debt/equity (%)	39.5	43.5	54.3	48.8	40.6
Debt in foreign currency/total debt (%)					
Debt at floating interest rates/total debt (%)					
Short-term debt/total debt (%)	6.4	6.5	7.6	9.1	4.5
Issued debt/total debt (%)	29.5	23.1	21.1	21.2	21.6

Source: Fitch Ratings, Fitch Solutions, Transport for London

Appendix C: Fitch's Rating-Case Scenario

Transport for London

(GBPm)	2024rc	2025rc	2026rc	2027rc	2028rc
Cash-adjusted income statement					
Operating revenue	8,909	9,085	9,207	9,296	9,503
Operating revenue annual growth (%)	1.0	2.0	1.3	1.0	2.2
Operating expenditure	-7,425	-7,713	-7,755	-7,737	-7,757
Operating expenditure annual growth (%)	13.8	3.9	0.5	-0.2	0.3
EBITDA	1,484	1,372	1,452	1,559	1,746
Interest revenue	65	78	73	69	71
Interest expenditure	-485	-515	-550	-573	-590
Financial balance	-420	-437	-477	-504	-519
Net capital expenditure	-888	-1,473	-1,186	-1,877	-1,356
Capital injection and other cash-items	0	0	0	0	0
Dividend paid	0	0	0	0	0
Other cash-items (net)	0	0	0	0	0
Net debt movement	62	1,800	-100	600	-100
Change in cash	239	1,262	-311	-221	-229
Debt and liquidity					
Adjusted debt	15,400	17,200	17,100	17,700	17,600
Memo: Non-cash movement in adjusted debt	0	0	0	0	0
Unrestricted cash	1,641	2,903	2,592	2,371	2,142
Net adjusted debt	13,759	14,297	14,508	15,329	15,458
Financial and liquidity ratios (x)					
Net adjusted debt/EBITDA	9.3	10.4	10.0	9.8	8.9
EBITDA/debt service coverage	1.3	1.1	1.1	1.2	1.1
EBITDA/gross interest coverage	3.1	2.7	2.6	2.7	3.0
Liquidity coverage ratio	1.2	1.3	2.2	1.9	1.5

rc - Fitch's rating-case scenario: a through-the-cycle scenario that incorporates a combination of revenue, cost or financial risk stresses
Source: Fitch Ratings, Fitch Solutions, Transport for London

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.