MOODY'S RATINGS

CREDIT OPINION
10 July 2025

Update

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RATINGS

Transport for London

Domicile	United Kingdom
Long Term Rating	A1
Type	Senior Unsecured - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Jeanne Harrison +44.20.7772.1751
Vice President - Senior Credit Officer
jeanne.harrison@moodys.com

Zoe Jankel +44.20.7772.1031
VP-Sr Credit Officer
zoe.jankel@moodys.com

James Boachie-Yiadom +44.20.7772.5298
Sr Ratings Associate
james.boachieyiadom@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Transport for London (United Kingdom)

Update following upgrade to A1 stable

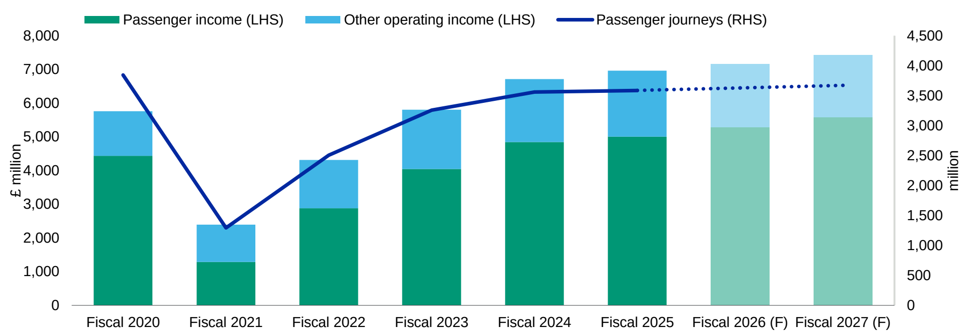
Summary

The credit profile of Transport for London (TfL, A1 stable) reflects sustained strong financial performance, supported by the recovery in passenger revenue since the pandemic, increased non-fare income and cost control. We also consider that TfL's operating environment has improved over the past year, evidenced by its new multi-year capital funding settlement with the UK government (Aa3 stable) which will lower its borrowing needs over fiscal 2027 to 2030. TfL also benefits from our assessment that there is a high likelihood that the UK government would intervene in a timely manner to prevent a default.

Exhibit 1

TfL's turnover is expected to continue increasing over the next two years

Passenger income, other operating income and passenger journeys



2025 is based on unaudited accounts. Forecasts are based on Moody's assumptions.
Source: Moody's Ratings and TfL

Credit Strengths

» Strategic importance to the local and national economy

» Improved operating environment

» Sustained improvement in operating performance

» Strong access to liquidity

Credit Challenges

» Debt to increase, but turnover growth will support stable debt metrics

Rating Outlook

The stable outlook reflects TfL's capacity to preserve stable operating performance and debt metrics over the medium term.

Factors that could lead to an upgrade

Upward pressure on the rating could result from a significant reduction in debt levels and consistently strong operating performance. An upgrade of the UK sovereign rating could also lead to upward pressure on TfL's ratings.

Factors that could lead to a downgrade

Downward pressure on the rating could result in much higher debt levels than anticipated and weaker operating performance. A weakening of the operating environment and a downgrade of the UK sovereign rating could also lead to downward pressure on TfL's ratings.

Key Indicators

Exhibit 2
Transport for London

(31st March)	2021	2022	2023	2024	2025	2026F	2027F
Annual Ridership (Mil.)	1,293	2,506	3,259	3,562	3,588	3,629	3,672
Net Margin (Operating Surplus / Revenues, %)	11.6	19.8	21.6	20.1	18.3	16.3	17.4
Debt / Revenues (x)	2.3	1.9	1.7	1.6	1.7	1.8	1.8
Interest / Operating Revenues (%)	21.3	11.7	9.2	9.0	9.1	9.7	9.6
Farebox Recovery Ratio (%)	17.3	37.1	47.7	53.3	53.1	53.9	55.8
Operating Revenues / Revenues (%)	34.8	53.9	65.6	72.0	73.2	73.8	74.4

2025 figures are based on unaudited financial statements. Forecasts are based on Moody's assumptions.
Source: Moody's Ratings and TfL

Profile

Transport for London (TfL) is the integrated transport authority responsible for delivering and managing London's public transport network. Established as a statutory body under the Greater London Authority (GLA) Act 1999, TfL runs most of London's public transport services.

Detailed credit considerations

On 04 July 2025, we upgraded TfL's baseline credit assessment (BCA) to a2 from a3, the long-term ratings to A1 from A2, affirmed the short-term ratings at Prime-1 and the stable outlook. The rating action reflects an improvement in TfL's operating environment as well as the recovery in its operating performance post-pandemic. It also incorporates our view that the likelihood of the UK government providing extraordinary support to TfL has improved to high from strong.

TfL's ratings combine: (1) a BCA of a2; and (2) a high likelihood of extraordinary support coming from the UK government in the event that TfL faced acute liquidity stress.

Baseline Credit Assessment

Strategic importance to the local and national economy

TfL's credit profile is supported by its scale, essential service role, and dominant market position. As the UK's largest urban transit system—and one of the largest globally—TfL serves nearly ten million people in London with minimal competition. It plays a critical role in supporting the capital's economy, which contributes approximately a quarter of the UK's gross domestic product. The close interdependence between London's economic performance and the capacity of its public transport network makes TfL a central focus of policy for local and national stakeholders.

Prior to the pandemic, TfL's integrated network of underground, bus, and rail services facilitated around 4 billion passenger journeys annually. Although ridership declined sharply during the pandemic, there has been a strong recovery, with annual ridership reaching 3.6 billion in fiscal 2025. TfL's very high utilisation ratio—364 journeys per capita in fiscal 2025—underscores the widespread reliance on public transport across the city.

TfL is a key functional body of the GLA, with its board chaired by the Mayor of London, who also holds responsibility for board appointments.

Improved operating environment

TfL's operating environment has improved substantially since the pandemic. TfL now has a stable and collaborative relationship with the UK government and the GLA with good political support for grant funding for its capital programme as well as political support for fare increases. This is reflected in its new multi-year capital funding settlement with the UK government, signed on 19th June 2025, which provides close to £2.2 billion in grant funding for its capital programme from fiscal 2027 to fiscal 2030. In addition, aside from a requirement that overall fares will increase by RPI+1% each year of the settlement, it has none of the restrictive conditions included in settlements during the pandemic, such as caps on the level of liquidity that TfL can hold.

The settlement will support TfL's planned pipeline of major capital renewals —with key projects including signalling upgrades, rolling stock and station modernisation, and improvements to walking and cycling infrastructure.

While the settlement does not guarantee additional funding beyond the allocated amounts—and requires TfL to manage any cost overruns locally—it marks a significant improvement in the predictability of capital funding. The settlement also reinforces expectations for TfL to maintain financial discipline, generate additional revenue, and leverage local policy levers where appropriate.

Sustained improvement in operating performance

TfL's operating performance has improved post-pandemic, with sustained growth in operating surpluses, and we are projecting net margins to average 18% over the next three fiscal years. Passenger revenue reached £5.0 billion in fiscal 2025, from £4.8 billion in fiscal 2024, driven by fare increases and a small increase in ridership. We expect passenger revenue to continue to grow over the medium term, driven by overall fare increases of RPI+1% and continued low level growth in ridership.

TfL has diversified its revenue base in recent years, with non-fare revenue (excluding GLA business rates income) increasing to £2.0 billion in fiscal 2025 from £1.1 billion in fiscal 2021. Key contributors include TfL's road pricing schemes - the congestion charge and ULEZ charges, which generated £923 million in gross service income in fiscal 2025. While ULEZ income may decline as compliance rises, overall non-fare income is expected to remain above pre-pandemic levels.

The improvement in operating performance is also supported by strong governance and cost discipline. Since 2017, TfL has delivered £1.5 billion in recurring savings and plans to achieve an additional £239 million in fiscal 2026 predominantly through a substantial decline in pension contributions due to the surplus position of the TfL Pension Fund as of 1 April 2024.

Strong access to liquidity

TfL has strong access to liquidity, supported by a diverse investor base and the ability to borrow from the Public Works Loan Board (PWLB), a statutory entity within HM Treasury. As the local government sector's lender of last resort, PWLB also reduces the risk of liquidity shocks. TfL's liquidity sources include a £5 billion Euro Medium Term Note programme, a £3 billion Euro Commercial Paper programme, undrawn £350 million GLA financing facility, as well as a £200 million overdraft and money market facility.

TfL maintains a policy of minimum cash levels equivalent to 60 days of operating expenses. Its cash balances stood at £1.5 billion as of March 2025 and we expect these to remain around this level over the next three years.

Debt to increase, but turnover growth will support stable debt metrics

We expect TfL's debt levels to increase gradually to provide some of the funding for its capital programme. Total debt, including lease obligations, stood at £16.3 billion in fiscal 2025 and is forecast to rise to £17.6 billion in fiscal 2026. This increase is primarily driven by the inclusion of TfL's Silvertown Tunnel operating lease on its balance sheet, following its opening in April 2025. As a result, leverage is expected to peak at 1.8x in fiscal 2026. Beyond this point, revenue growth is anticipated to outpace debt accumulation, supporting a gradual improvement in leverage metrics.

Under the Prudential Code, TfL may borrow for capital purposes within a limit approved by the Mayor of London, subject to government reserve powers. Moody's expects TfL to remain well below this ceiling, currently set at £19 billion for the Group by fiscal 2027.

TfL's three-year average interest-to-operating revenue ratio was 9.1% in fiscal 2025, down from 10% in fiscal 2024, due to revenue growth. Moody's expects this ratio to remain between 9.0% and 9.5% over the next two years, as revenue growth partially offsets the impact of rising debt. Interest rate risk is limited, with approximately 90% of TfL's debt portfolio fixed as of March 2025, providing stability in debt servicing costs.

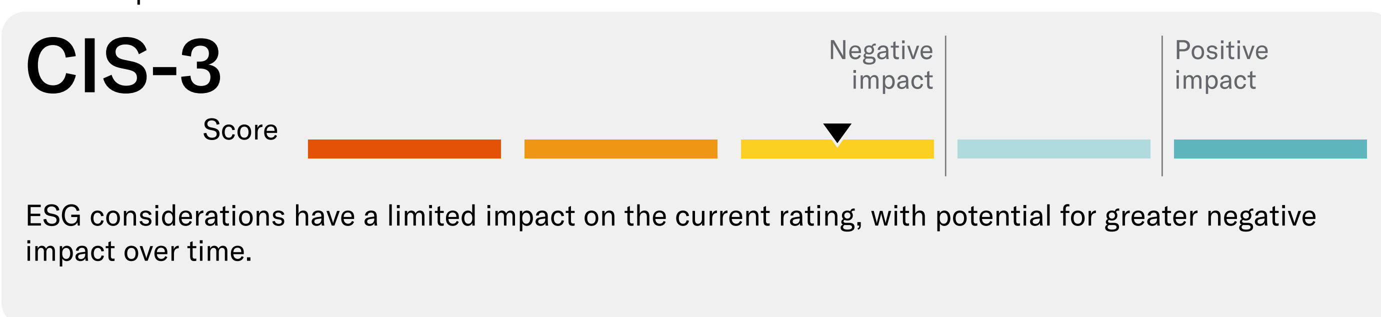
Extraordinary Support Considerations

Our view that the likelihood of extraordinary UK government support for TfL has improved to high from strong, reflects greater confidence in timely intervention. This change is underpinned by a more favourable policy environment for London's local government, as evidenced by the latest funding agreement, which replaces the more restrictive conditions included in the emergency arrangements agreed during the pandemic.

ESG considerations

Transport for London's ESG credit impact score is CIS-3

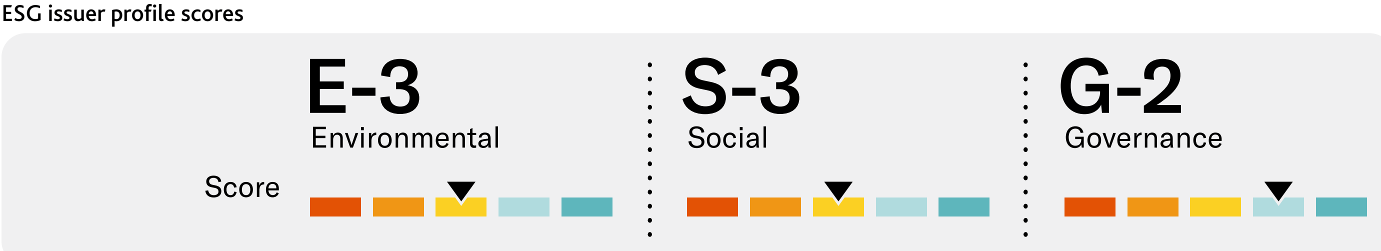
Exhibit 3
ESG credit impact score



Source: Moody's Ratings

TfL's **CIS-3** reflects our view that ESG considerations have a limited impact on its current ratings, with potential for greater negative impact over time. TfL has high expenditure requirements related to carbon transition and pollution, as well as exposure to social risks stemming from ridership trends, fare increases and a unionised workforce. However, governance risks are limited due to TfL's robust management practices.

Exhibit 4
ESG issuer profile scores



Source: Moody's Ratings

Environmental

TfL has a material exposure to environmental risks (**E-3**), relating to its central role in achieving the Mayor of London's target for a carbon-neutral city by 2030. To meet these environmental objectives, TfL would be required to fully upgrade its bus fleet to zero-emission vehicles and transition to renewable energy for all rail services.

Social
TfL has a material exposure to social risks (**S-3**), with the transition to hybrid work models resulting in an ongoing decrease in ridership compared to pre-pandemic levels, despite its monopoly in London. However, TfL's operating environment has improved, and TfL has the mandate to apply inflation-linked fare increases over the next four years, and ridership is slowly increasing, supported by continued investment in TfL's network. The unionised nature of TfL's workforce could pose challenges to changes in staff wages, working conditions and pension schemes. This could affect TfL's ability to realise projected cost savings.

Governance
TfL has a limited exposure to governance risks (**G-2**). TfL has strong management practices, demonstrated by a clear strategy, comprehensive budgets and business plans, a high degree of transparency and a consistent ability to achieve cost savings.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors
The assigned BCA of a2 is the same as the scorecard-indicated BCA.

TfL's ratings reflect our assessment of the company's business profile and financial performance in line with our Mass Transit Enterprises Methodology, published in July 2024, and our Government-Related Issuers Methodology, published in May 2025.

Exhibit 5

Fiscal 2025 scorecard

Transport For London

Rating Factors	Input	Weight	Score
Size (15%)			
Annual Ridership	3,588,000,000	10%	Aaa
Service Area Population	9,847,645	5%	Aaa
Market Position (35%)			
Operating Environment	A	20%	A
Service Area Characteristics	Aaa	5%	Aaa
Market Share / Utilization	364	10%	Aaa
Financial Flexibility (20%)			
Farebox Recovery Ratio	53.1%	10%	Aaa
3-Yr Avg Fixed Costs as a % of total operating expenditures	25.3%	10%	Baa
Debt & Financial Metrics (30%)			
Debt / Revenues	1.7x	15%	Baa
(Int'l) 3-Yr Avg Interest as a % of Operating Revenues	9.1%	5%	Baa
3-Yr Avg Net Margin (Operating Surplus / Revenues)	20.0%	5%	Aaa
Days Cash on Hand	58	5%	Baa
Adjustments / Notching Factors			**Up/Down**
Collective bargaining or high labor costs that decrease financial or operational flexibility			Down
Scorecard-Indicated Outcome			A2
Assigned BCA			a2
Assigned Rating			A1

Data is based on most recent fiscal year available. Debt may include pro forma data for new debt issued or proposed to be issued after the close of the fiscal year.

2025 is based on unaudited accounts.

Source: Moody's Ratings and TfL

Ratings

Exhibit 6

Category	Moody's Rating
TRANSPORT FOR LONDON	
Outlook	Stable
Baseline Credit Assessment	a2
Senior Unsecured -Dom Curr	A1
Commercial Paper -Dom Curr	P-1

Source: Moody's Ratings

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