Metropolitano de Tenerife, S.A.

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This report does not constitute a rating action.

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Credit Highlights

Overview

Key strengths	Key risks
Very favorable regulatory framework, with the proven supportive stance of the company's only shareholder, the Cabildo Insular de Tenerife (CIT), which is the government of the island.	Possibility of ridership reducing if free tickets are phased out.
Minimal funding costs, with all debt concentrated in a single bullet bond issued at very favorable rates; the entity holds a debt reserve fund to avoid refinancing risk.	Exposure to some volatility in electricity costs.
Prudent and experienced management and technical team.	

S&P Global Ratings views Metropolitano de Tenerife, S.A. (Metrotenerife) as an essential tool to implement the CIT's mobility strategy. The CIT owns and supervises Metrotenerife's strategy and operations, which is essential to the government's policy of fostering sustainable and efficient public transport on the island. Metrotenerife is therefore one of the key enablers of the government's mobility strategy, with expansion plans funded through domestic sources and EU funds.

The government's public transport subsidies led to record ridership, highlighting Metrotenerife's policy mandate. A record 24.9 million passengers used Metrotenerife's network in 2024, supported by government subsidies for public transport that stimulated demand. The potential expiry of these subsidies after 2025 could affect future demand, leading to normalized ridership or a slight decline.

Outlook

Our stable outlook on Metrotenerife mirrors that on Spain (unsolicited; A+/Stable/A-1).

Downside scenario

We could lower our rating on Metrotenerife if we were to downgrade Spain.

We could also lower our rating if we saw a material weakening of the CIT's creditworthiness, or if we expected a lower likelihood of support from the CIT for Metrotenerife.

Upside scenario

We could raise our rating on Metrotenerife if we were to upgrade Spain, while CIT maintained very strong financial performance and our view on the relations between Metrotenerife and the CIT remained unchanged.

Rationale

Metrotenerife is crucial to the government's mobility policy framework. Our ratings on Metrotenerife reflect our view that, as a government-related entity, it would benefit from an almost certain likelihood of support from the CIT in times of financial stress. As a result, we align Metrotenerife's credit quality with that of the related government, the CIT. This in turn is limited by our rating on Spain.

We note the CIT's support to Metrotenerife is not subject to transition risk. In our view, the CIT would provide timely and sufficient extraordinary support if needed, given the company's critical role for and integral link with the CIT.

Metrotenerife operates public transport services--one of the CIT's core responsibilities--in the island's main metropolitan area of Santa Cruz de Tenerife-La Laguna. It is key to the government's policy of promoting sustainable and efficient mobility. Owing to the essential and subsidized nature of its operations and the CIT's ownership, we consider it highly unlikely that a private operator could assume its responsibilities.

Metrotenerife is fully owned by the CIT, which oversees its strategy and operations. The company implements its investment program in close coordination with the CIT and operates under an agreement established in 2003, which holds the CIT responsible for maintaining Metrotenerife's economic and financial balance.

The CIT's prudent fiscal management and strong operating performance have led to the accumulation of sizable surpluses, resulting in robust liquidity. That said, the CIT's creditworthiness remains constrained by the sovereign rating.

Metrotenerife benefits from the CIT's support and a strong market position. The company operates in a low-risk industry, providing an essential service that connects the island's two largest cities and helps ease congestion in the metropolitan area. It holds a leading position in the local public transport market, with a 57% share compared with the 43% held by bus operator TITSA. Both entities are wholly owned by the CIT and are well integrated through interchanges that facilitate intermodal travel. This results in cooperation rather than competition.

We expect Metrotenerife to benefit from a planned network expansion under the CIT's mobility strategy. The CIT announced its Sustainable Mobility Plan with an investment of more than €5 billion over 2025-2035. The plan includes extensions to two existing lines and two new railway corridors. Line 1 will extend to Tenerife North Airport, while Line 2 will also be expanded. The plan incorporates a northern corridor and a southern corridor connecting Tenerife South Airport with the main tourist areas. Additionally, it includes major road infrastructure improvements. The CIT, the Canary Islands government, and the Spanish government will jointly implement the initiative to address severe traffic congestion on the island. We expect Metrotenerife's involvement will remain primarily technical, with the company ultimately operating the line but not financing it from its own balance sheet. In our view, these expansion plans reinforce Metrotenerife's role for the CIT.

The CIT provides continuous support to Metrotenerife through the regulation of tariffs, subsidies, and its commitment to intervene in case of financial stress, as per its agreement. Since 2023, the CIT has fully subsidized rides offered on certain passenger passes and, as a result, compensates the company. Therefore, subsidies have become an increasingly significant component of Metrotenerife's revenue base, representing more than 90% of fare revenue at year-end 2024. This underscores Metrotenerife's role for and link with the CIT, in our view.

Ridership growth and higher subsidies led to a record 2024, but results could normalize in the coming years if CIT phases out or reduces subsidies. Since the introduction of free services and a 50% discount on certain fares in 2023, Metrotenerife has experienced a sharp increase in passengers. Ridership reached an all-time high of 24.9 million trips in 2024, up 10% from 2023.

The continuation of central government public transport subsidies beyond 2025 remains uncertain. If the subsidies continue, we expect ridership growth to moderate and be in line with demographic trends. At the same time, reduction in subsidies or their withdrawal would likely pressure demand, though we believe that the fare-free period has structurally elevated ridership through the increased adoption of public transport relative to pre-subsidy levels.

Metrotenerife has some exposure to market risk owing to fluctuations in energy prices, though we believe management actively monitors these trends to limit this impact. We view inflation risk on other cost components as limited, given the CIT adjusts its annual transfers in line with the consumer price index. The indexation of prices provides revenue compensation and offsets cost pressures.

Prudent debt and liquidity management have strengthened the company's financial and cash position. In 2021, Metrotenerife refinanced its long-term debt through a €130 million green bond with a 15-year maturity at a fixed interest rate of 1.23%. To repay the bond, the company established a debt reserve fund that it builds up annually. Favorable market conditions have allowed it to earn returns above its cost of debt. We estimate the debt reserve fund will total about €74 million at year-end 2025. S&P Global Ratings expects Metrotenerife will continue this policy, enabling it to repay the bond without refinancing.

In our view, Metrotenerife's liquidity will remain robust in the coming years. Annual debt service is limited to about €1.6 million in interest on the bond. Aside from its debt reserve fund, the company had additional cash reserves of about €34.9 million at year-end 2024, compared with €19.6 million in 2023. This increase is explained by Metrotenerife's strong results in 2024.

We do not anticipate any operational issues that could materially affect Metrotenerife's financial performance. The company continues to carry out scheduled maintenance on its rolling stock, which should prevent the need for extraordinary expenditure. Planned investments to modernize facilities and systems--including passenger information, ticketing, and driver assistance systems--are expected to be phased out over several years and should not require additional debt.

Amid an ongoing labor conflict, striking worker unions are demanding changes to minimize operational health risks to the workforce. Metrotenerife has made some improvements to address these issues, but certain aspects remain under negotiation. That said, the strike does not materially affect operations, as it reduces capacity to about 80% of normal levels, reflecting the essential nature of Metrotenerife's services.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Research Update: Metropolitano de Tenerife S.A. Upgraded To 'A+' Following A Similar Action On Spain, Sept. 19, 2025
- Spain Upgraded To 'A+' On Strengthening External Financial Position; Outlook Stable, Sept. 12, 2025
- Industry Credit Outlook Update Europe: Transportation Infrastructure, July 16, 2025
- Metropolitano de Tenerife, S.A., Oct. 30, 2024

Ratings Detail (as of October 30, 2025)*

Metropolitano de Tenerife S.A.	
Issuer Credit Rating	A+/Stable/A-1
Senior Unsecured	A+
Issuer Credit Ratings History	
19-Sep-2025	A+/Stable/A-1
01-Apr-2022	A/Stable/A-1
25-Sep-2020	A/Negative/A-1

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.