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), the island's government.	Possibility of moderation in ridership growth 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 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 in implementing 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 transportation on the island. Metrotenerife is a key facilitator 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, reinforcing Metrotenerife's policy mandate. A record 25 million passengers used Metrotenerife's network in 2025, with further growth expected in 2026, thanks to government subsidies for public transport that stimulated demand. We expect subsidies to continue in 2027, although clarity beyond this year is limited due to the electoral cycle (with national elections in November 2026 and local elections in May 2027).

Outlook

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

Downside scenario

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

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

Upside scenario

We could raise our ratings on Metrotenerife if we were to upgrade Spain, while CIT maintained very strong financial performance and our view of the relations between Metrotenerife and the CIT did not change.

Rationale

Metrotenerife is crucial to the government's mobility policy framework. Our ratings on the organization 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. 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. As a result, we view Metrotenerife's credit quality as equal to that of its related government, the CIT, which in turn is limited by our rating on Spain.

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 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 it 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.

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 (Santa Cruz and La Laguna) and helps ease congestion in the metropolitan area. It holds a leading position in the local public transport market, with a 57% share in 2025, 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, resulting 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 2025-2045. The plan includes extensions to two existing lines and two new railway corridors. Line 1 will extend to Tenerife North Airport, and Line 2 will also be expanded. The plan incorporates a southern corridor connecting Tenerife South Airport with the main tourist areas, along with major road infrastructure improvements. The CIT, the Canary Islands government, and the Spanish government will jointly implement the initiative to address severe traffic congestion. We expect Metrotenerife's involvement in the southern rail line 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 passenger passes. Therefore, subsidies have become an increasingly significant component of Metrotenerife's revenue base, representing more than 90% of fare revenue at year-end 2025. This underscores Metrotenerife's role for and link with the CIT, in our view.

Ridership growth and higher subsidies led to record results in 2025, but these could return to more historical levels if the 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 a record 25 million trips in 2025, slightly above 2024 levels, and we expect further growth in 2026 thanks to the resolution of a labor conflict. We understand transport subsidies will continue in 2027 but have limited clarity beyond 2026, since its continuation will depend on policy choices both at the national and local levels. Given upcoming national elections in November 2026 and local elections (including the CIT) in May of 2027, we cannot be certain about these policies, although we understand there is a broad political consensus on the importance of public transportation on the island. If the subsidies continue, we expect ridership growth to continue but likely moderate, moving in line with demographic trends. At the same time, reduction in subsidies or their withdrawal would likely pressure demand, though we think the fare-free period has structurally elevated ridership through the increased adoption of public transport relative to presubsidy levels.

Metrotenerife has exposure to market risk owing to fluctuations in energy prices, though we think management actively monitors these trends to limit the impact. The entity acts as an independent energy trader in the market, both selling its own production from solar panels to the market and purchasing power without intermediaries. This allows for cost savings and added flexibility: We estimate energy costs of €1.1 million in 2026, under 5% of operating costs. 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 helps make up for lost revenue 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 with a €130 million green bond that has a 15-year maturity and a fixed interest rate of 1.23%. To repay the bond, the company established a debt reserve fund that it builds annually. Favorable market conditions have allowed it to earn returns above its cost of debt. We estimate the debt reserve fund will total about €95 million at year-end 2026, or about 73% of the bond's principal, 10 years ahead of its maturity. S&P Global Ratings expects Metrotenerife will continue this policy, enabling it to repay the bond without the need to refinance. Metrotenerife invests conservatively these funds in sovereign and regional debt, generating returns we expect to surpass the bond's overall interests until maturity, if current interest conditions hold.

Given that the entity will likely be able to finance its debt reserve fund ahead of schedule, we expect Metrotenerife to start building additional funds in a separate reserve to prefinance the acquisition of new rolling stock. We expect this would take place around 2038, as the useful life of current trains ends. We view this as evidence of prudent financial planning, and could lead to substantial financial cost savings if implemented.

In our view, Metrotenerife's liquidity will remain robust. 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 €34.1 million at year-end 2025.

We do not anticipate any operational issues that could materially affect Metrotenerife's financial performance. We expect lower profits in the coming three years due to higher

maintenance costs, as the entity's train units gradually go through major maintenance operations as scheduled. We expect the organization to phase out planned investments to modernize facilities and systems--including passenger information, ticketing, and driver assistance systems--over several years, meaning it should not require additional debt.

In early 2026, Metrotenerife signed a strike settlement agreement with trade unions that included improved labor protection, ending the dispute. We think this clears the way for increases in passenger numbers, since restrictions on capacity have been eliminated. We understand the company is negotiating a new collective bargaining agreement with trade unions, which should provide stability and visibility to costs once concluded.

Metrotenerife is also expanding its activity by providing technical assistance services to other metro systems, generating additional revenue. The entity does not assume construction or operation risk; it just receives fees for its consulting services.

Related Criteria

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

Related Research

- Spain, Sept. 14, 2026
- Transportation Infrastructure: Europe 2026 Outlook, Jan. 21, 2026
- 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

Ratings Detail (as of October 29, 2026)*

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.

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