

### CREDIT OPINION

20 December 2024

Update



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#### RATINGS

##### Regie Autonome des Transports Parisiens

Domicile	Paris, France
Long Term Rating	Aa3
Type	Senior Unsecured - Fgn 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.

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## Regie Autonome des Transports Parisiens (France)

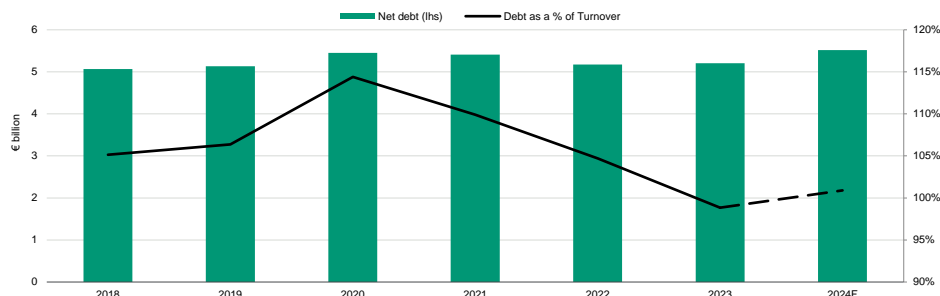
Update following downgrade to Aa3, outlook changed to stable

### Summary

The credit profile of [Regie Autonome des Transports Parisiens](#) (RATP, Aa3 stable) reflects the protective framework under which it operates - the 2021-24 agreement it has with [Ile-de-France Mobilites](#) (IdFM, Aa3 negative) — and the resulting resilient operating performance and debt deleveraging going forward despite significant headwinds. Our assessment also takes into account RATP's adequate liquidity position, its strategic role in providing public transportation services in France capital region, as well as its status as a 100% state-owned company. RATP's creditworthiness is thus supported by the very high likelihood of extraordinary support from the [Government of France](#) (France, Aa3 stable) in the event that the issuer faces extreme liquidity stress.

Exhibit 1

Over the 2021-24 agreement under which it operates, RATP's debt will be stable



F: Forecast

Source: RATP, Moody's Ratings

### Credit strengths

- » Resilient operating performance and stable debt under the 2021-24 multi-year agreement under which RATP operates.
- » An adequate liquidity position, including access to external funding.
- » A 100% state-owned company, benefiting from a strategic role, as France capital region retain a central role in transportation.

### Credit challenges

- » RATP is exposed to social issues, including labour shortages.
- » The opening of RATP's primary market to competition is a challenge.

## Rating outlook

The stable outlook mirrors the rating outlook of the Government of France. The stable outlook also reflects the robustness and stability of RATP's financial metrics over the next couple of years, supported by the protective framework for RATP's operations provided by the multi-year contract with IdFM.

## Factors that could lead to an upgrade

Given that RATP is rated at the level of the sovereign, an upgrade would require, but would not necessarily follow, an upgrade of the sovereign rating.

## Factors that could lead to a downgrade

A downgrade of the sovereign rating would likely trigger a downgrade of RATP's ratings. Negative pressure on RATP's ratings could also result from one or a combination of (i) a material weakening of RATP's operating performance or an increase in debt (ii) a significant weakening of RATP's operating framework under the upcoming contract with IdFM, or lower support from the central government.

## Key indicators

Exhibit 2

### Regie Autonome des Transports Parisiens

	2017	2018	2019	2020	2021	2022	2023
Service Area Population (millions)	12.2	12.2	12.3	12.3	12.3	12.4	12.4
Turnover (€ millions)	4.7	4.8	4.8	4.8	4.9	4.9	5.3
EBIT as a % of Turnover	8.9%	9.1%	6.0%	3.8%	7.2%	4.6%	1.9%
Net Debt (€ millions)	5.2	5.1	5.1	5.5	5.4	5.2	5.2
Net Debt as a % of Turnover	109%	105%	106%	114%	110%	105%	99%

Source: RATP, Moody's Ratings

## Detailed credit considerations

On 18 December 2024, we downgraded RATP's rating to Aa3, and we changed the outlook to stable. The rating downgrade followed the rating downgrade to Aa3 of the Government of France on 14 December 2024, while the outlook was changed to stable.

The credit profile of RATP, as expressed in its Aa3 rating, combines a BCA of a2 and a very high likelihood of extraordinary support from the French government in the event that the issuer faces acute liquidity stress.

### Resilient operating performance and stable debt under the 2021-24 multi-year agreement under which RATP operates

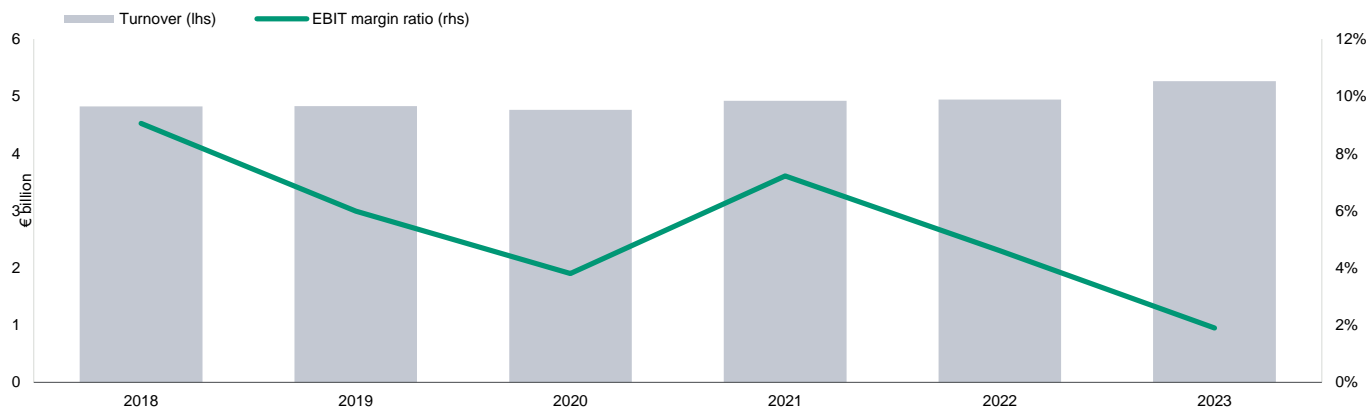
RATP has been grappling with increased pressures in recent years because of inflation and the inability to fulfill its contractual requirements regarding bus services amid high absenteeism and recruitment challenges. The EBIT margin<sup>1</sup> declined to 1.9% in 2023, from 4.6% in 2022 and 7.2% in 2021, and will likely remain below 3% in 2024. RATP's gas and electricity bill increased by 75% in 2023 compared to 2021 levels but is expected to decrease in 2024, while payroll has increased steadily between 2021 and 2023.

These pressures have weighed on RATP's financial performance, with inflation not fully compensated under the contract with IdFM, the local government in charge of organising, coordinating and funding mobilities across France capital region. Under this agreement, IdFM – which is the sole client of RATP EPIC (*Etablissement Public a caractere Industriel et Commercial*) – is paying RATP (i) to operate monopolistically the Paris network until the end of 2024, (ii) to manage the infrastructure and (iii) to ensure passenger safety and security, both under a regulated monopoly. Compensation for energy prices tracks various indices that are expected to significantly lag spot prices, meaning that only 35% of the increase was covered by the contract in 2023. Following the revision of the contract in December 2023, compensation for payroll increases track a sector index<sup>2</sup>.

That said, the contract continues to provide a protecting operating framework, underpinning our expectations for a gradual rebound in financial performance. RATP also benefited from a €50 million state aid in 2023 for pandemic-related losses.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Exhibit 3

**RATP's operating performance has been struck by the effects of inflation on energy prices and payroll**

F: Forecast

Source: RATP, Moody's Ratings

The multi-year agreement also supports RATP's debt stability because IdFM is now funding most of the fixed capital investments RATP has to implement. IdFM is also becoming the sole owner of the rolling stock. Consequently, RATP's net debt will plateau to around €5.5 billion in 2024 while it has oscillated over the past years between €5.2 and €5.5 billion since 2016.

### A 100% state-owned company, benefiting from a strategic role, as Paris and the Ile-de-France area retain a central role in transportation

France is RATP's sole owner and, as a result, the central government closely supervises RATP through its board and the procedures that commonly apply to state agencies, including through the National Court of Auditors. RATP's board comprises 27 administrators, of which one-third represent the French state, another third comprise members elected by RATP employees and the remaining third comprise outside parties. Because of its special legal status as an EPIC, RATP has no share capital, cannot go bankrupt and will not have its assets seized as a result of non-payment of its claims.

In our view, RATP benefits from its strategic role. RATP is the main provider of public transportation services in France capital region ([Ile-de-France Region](#), Aa3 negative) and is the third-largest urban transport operator in the world. In 2023, the company provided 2.9 billion rides (87% of 2019 ridership) to Ile-de-France's 12.4 million inhabitants. At the same time, it is the sole infrastructure manager, operating under a regulated monopoly — currently for Paris' network and going forward for Grand Paris Express (GPE) network. RATP's scope of operations is large, comprising more than 206 kilometres (km) of metro lines, 351 bus lines, 10 tramway lines and 117 km of interurban rail network (*Reseau Express Regional* [RER]). The key role played by public transportation in the Ile-de-France area, and therefore by RATP, is also exemplified by the support provided by the French government to IdFM in 2020 and 2021, from which RATP benefited indirectly. A further example has been provided by the €50 million grant RATP received in 2023 from the French government to compensate for pandemic-related expenses.

### An adequate liquidity position, including access to external funding

RATP is a flagship French issuer and, therefore, benefits, in our view, from an unquestioned market access. RATP's strong access to external liquidity is exemplified by its diversified funding sources. Short-term instruments comprise a €3 billion Negotiable European Commercial Paper (NEU-CP) programme. RATP's long-term funding relies on a €7 billion euro medium-term note (EMTN) programme. RATP has also put in place a Green Bond Framework.

RATP has demonstrated its ability to face shocks thanks to its prudent and sophisticated debt and treasury management. As of year-end 2023, RATP's cash buffer amounted €2.1 billion, accounting for more than 40% of IdFM's annual contribution. In 2022, RATP further secured its cash position contracting a €500 million sustainability-linked revolving credit facility with a five-year maturity. In addition, RATP's cash-flows exhibit regularity and previsibility, since IdFM's contribution, paid in monthly instalments, replaced fare revenue in 2021. Its cash outflows, mostly made of payroll and of energy payments almost entirely hedged one-year ahead, are regular and can be forecast. Considering these patterns, RATP's cash buffers appear adequate.

### **RATP is exposed to social issues, including labour shortages**

RATP is exposed to social risks On the supply side, RATP is exposed to its staff industrial actions, as illustrated by workers strike between December 2019 and January 2020 which cost RATP around €200 million. RATP is also exposed to high levels of absenteeism as well as difficulties to hire and retain drivers, which prevented RATP from fulfilling its contractual obligations related to traffic (in particular bus traffic) in 2023. As a consequence, RATP faced reduced payments and contractual penalties which had a direct impact on its turnover. On the demand side, RATP is not materially exposed to mild fluctuations in ridership, thanks to the current more protective risk-sharing mechanism but also to the flexibility RATP has to adapt to minor downward adjustments to services required by IdFM. On the contrary, RATP would be exposed to drastic downward adjustments to public transportation services required by IdFM, thus passing on budget pressures to RATP, because of the reduced leeway it has to proceed with massive adjustments on operating expenditures.

### **The opening of RATP's primary market to competition is a challenge**

In the coming years, RATP will face the gradual opening of public transportation operations to competition in the Ile-de-France region, with a timeline defined by the law. RATP will be exposed to competition from 2025-26<sup>3</sup> for its bus lines, from 2030 for tramway and from 2040 for metro lines. RATP will have to adapt its operating framework to this new competitive environment as it loses its transit operator monopoly. However, RATP will retain its infrastructure management monopoly.

However, RATP benefits from its experience in infrastructure management and mass transit contract bidding, through RATP Dev. The 2021-24 agreement with IdFM designed to prepare the opening to competition, and the launch of the subsidiary RATP Cap Ile-de-France in 2020 to develop commercial activities in Ile-de-France puts RATP also indicated solid preparations. Lastly, RATP's infrastructure management role will be enhanced with the gradual opening of the Grand Paris Express, under construction by [Societe des Grands Projets](#) (Aa3 stable), for which RATP will be responsible for track and stations.

### **Extraordinary support assumptions**

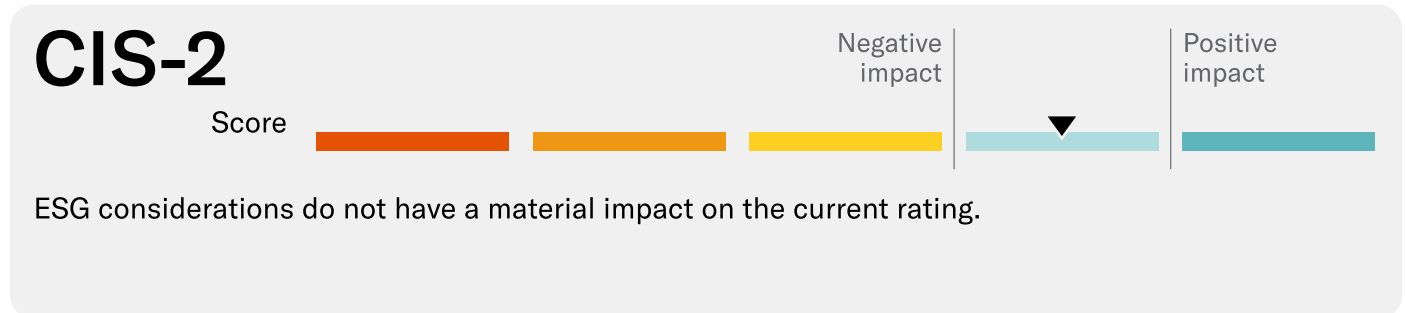
We believe there is a very high likelihood of extraordinary support for RATP from the central government, reflecting RATP's 100%-State ownership, strategic importance and our assessment of the reputation risks to the French government if RATP were to default. The government would not let RATP default without significantly impairing the credit standing of other state agencies.

## ESG considerations

Regie Autonome des Transports Parisiens' ESG credit impact score is CIS-2

Exhibit 4

ESG credit impact score

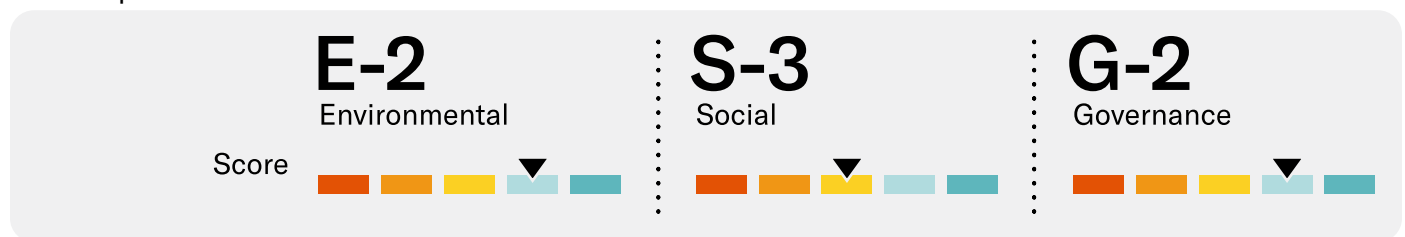


Source: Moody's Ratings

RATP's ESG Credit Impact Score of **CIS-2** reflects our view that ESG risks have a limited impact on its ratings. Exposure to social risks, especially related to human capital, are mitigated by RATP's strong governance and protective framework under which it operates.

Exhibit 5

ESG issuer profile scores



Source: Moody's Ratings

### Environmental

RATP faces limited exposure to environmental risks (**E-2**). RATP's commitment to transitioning towards carbon-neutrality is highlighted by their plan Bus 2025, which targets modernizing the entire fleet. These capital requirements related to carbon neutrality receive significant funding from Ile-de-France-Mobilites.

### Social

RATP's **S-3** issuer profile score reflects moderate exposure to social risks. RATP is exposed to industrial action. RATP also faces significant challenges related to human capital, including recruitment challenges as well as high levels of absenteeism. In addition, employees are exposed to the risks of accidents related to the operation and maintenance of the systems.

### Governance

RATP's **G-2** issuer profile score is supported by its very strong management credibility and track record. Governance considerations include robust planning and financial management. RATP holds a multi-year operating agreement with IdFM, which provides a stable and supportive revenue stream and eliminates the volatility of farebox revenue shared by most mass transit operators.

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 in line with the scorecard-indicated BCA.

For details about our rating approach, please refer to [Mass Transit Enterprises Methodology](#), published on 25 July 2024.

Exhibit 6

### Regie Autonome des Transports Parisiens (RATP)

Factor 1 : Size (15%)	Measure	Score
a) Issuer Size - Annual Ridership (Million)	2981	Aaa
b) Market Size - Service Area Population (Million)	12.4	Aaa
Factor 2 : Market Position (35%)		
a) Operating Environment	Aa	Aa
b) Service Area Characteristics	Aaa	Aaa
c) Market Share - Utilization (%)	241	Aaa
Factor 3 : Financial Flexibility (20%)		
a) Level of Self-Support - Farebox Recovery Ratio (1)	-	C
b) Budget Flexibility (3 Year Avg Fixed Costs as % of Oper. Exp.)	16.0%	A
Factor 4 : Debt & Financial Metrics (30%)		
a) Leverage - Debt/Revenues	0.93	A
b) Budget Balance -Interest as a % of Operating Revenues (3 Year Avg)	3.1%	A
c) Budget Balance - Net Margin (3 Year Avg)	2.2%	Ba
d) Liquidity - Days Cash on Hand	140.3	A
Baseline Credit Assessment (BCA):		
Additional Adjustments/Notching Factors		
Factor 3: Budget flexibility		
3) Collective bargaining or high labor costs that decrease financial or operational flexibility	-1	
Rating		
a) Indicated Rating from Grid After Notching Adjustment		a2
b) BCA assigned		a2
c) Actual Rating Assigned		Aa3

(1) As per the new framework under which it operates, RATP EPIC is no longer endowed with fare revenue.

RATP EPIC, at financial year-end 2023

Source: RATP, Moody's Ratings

## Ratings

Exhibit 7

Category	Moody's Rating
REGIE AUTONOME DES TRANSPORTS PARISIENS	
Outlook	Stable
Baseline Credit Assessment	a2
Senior Unsecured	Aa3
Commercial Paper -Dom Curr	P-1

Source: Moody's Ratings

## Endnotes

<sup>1</sup> earnings before interest and taxes relative to turnover)

<sup>2</sup> compensation for payroll was until 2023 capped at 1.5%, negatively impacting RATP's financial performance in 2021 when it increased by 4.2%.

<sup>3</sup> The timeline has shifted from 31 December 2024 to a gradual process throughout 2025-26

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