FitchRatings

High Speed Rail Finance (1) PLC

High Speed Rail Finance (1) PLC is the funding vehicle for HS1 Limited, the concessionaire of the only high-speed railway in the UK. HS1 continues to benefit from a robust operating profile and its critical nature as the high-speed railway connection between the UK and continental Europe. Domestic volumes remain substantially underpinned by the UK government, which mitigates volume risk and supports cash flow stability. Fitch Ratings views the demand for international traffic as robust in the long term, supported by the strong recovery in recent years.

Key Rating Drivers

Revenue Risk - Volume - Stronger

Domestic Underpinned, International Recovering: The UK government guarantees about 95% of pre-pandemic domestic train paths as part of the underpinned volume scheme, making domestic revenue effectively availability based. International volumes are based on dominant Eurostar train services from London to continental Europe, which are subject to demand risk. However, this is mitigated by the critical nature of the infrastructure.

Revenue Risk - Price - Stronger

RPI-Linked, Costs Pass-Through: The concession framework allows HS1's sponsors to recover their invested capital including debt through an RPI-linked investment recovery charge (IRC), which was about 64% of EBITDA in the financial year ending March 2025 (FY25). Unlike most regulated assets in the UK, this is not subject to periodic regulatory review. The RPI revenue swap mitigates potential risks of low inflation, as HS1 receives cash flow with fixed growth while the payable portion accretes in line with realised RPI.

The operations, maintenance and renewal (OMR) component of revenue is designed to recover HS1's OMR costs, and is subject to benchmarking and review every five years. The OMR costs can also be 'reopened' before the five-year review cycle under certain circumstances, such as where traffic is +/- 4% the forecasts presented at the beginning of the control period.

Infrastructure Dev. & Renewal - Stronger

High Capex Visibility: HS1's assets have continuously outperformed operational expectations and are well maintained but ageing. Major maintenance services are largely the responsibility of the service provider (Network Rail (High Speed) Limited), while HS1's responsibilities are limited and predictable. Forward-looking escrow arrangements for track and station capex provide high visibility of renewal costs. The five-year concessionaire's review of asset conditions should prevent HS1 from incurring unexpected handover liabilities at concession maturity.

Debt Structure - Stronger

Solid Debt Structure: The debts are senior secured and amortising, with more than 95% of the debt fixed rate or naturally hedged with inflation-linked revenue. A dedicated 12-month liquidity facility within the ring-fenced group, together with covenanted lock-up and default ratios, provide strong creditor protection. The amortisation of legacy swaps' crystallised mark-to-market value is fixed and reflected in the debt service coverage ratio (DSCR). In March 2025, HS1 had a committed undrawn GBP166 million liquidity facility and a GBP112 million revolving credit facility (GBP43 million drawn).

Ratings

GBP610 million fixed-rate bonds	A-
GBP246.5 million index-linked bonds	A-
GBP5 billion multi-currency note issuance programme	A-

Outlook

Stable

Applicable Criteria

Infrastructure & Project Finance Rating Criteria (January 2025)

Transportation Infrastructure Rating Criteria (January 2025)

Related Research

Fitch Affirms High Speed Rail Finance (1) Notes at 'A-'; Outlook Stable (October 2025)

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Financial Profile

Under the Fitch rating case (FRC), HS1's DSCR profile remains robust, averaging 1.54x in FY26-FY39, with a minimum DSCR of 1.44x in FY28. HS1's credit metrics remain well above our negative sensitivity trigger of 1.4x.

Peer Analysis

Channel Link Enterprises Finance Plc (CLEF; BBB/Stable) has the same catchment area as HS1's international traffic. CLEF has a 'High Midrange' volume risk, weaker than HS1, driven by higher demand volatility. CLEF has a lower average DSCR (about 1.5x) and a 'Midrange' debt structure. We view HS1 as stronger than CLEF in terms of lower expected volatility in revenue, as well as lower operating costs and infrastructure renewal costs, which explains the two-notch difference in their ratings.

Given the stable revenue profile and metrics, HS1 compares well with Meridian Hospital Company PLC (hospital PFI concession), whose bond is rated 'A-'/Stable with an average DSCR of 1.66x. Meridian benefits from 100% availability-based revenue, which underpins the rating.

Rating Sensitivities

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

- Material underperformance of the FRC, resulting in an average DSCR well below 1.40x.

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

- An upgrade is currently unlikely due to HS1's ability to raise additional debt.

Overview

The high-speed rail line connects London's St Pancras International station to high-speed commuter services in Kent and international passenger destinations in Europe, mainly Paris, Brussels and Amsterdam, via the Channel Tunnel.

Latest Developments

The total annual train paths billed in FY25 increased 0.3% year-on-year (yoy) to 71,309, primarily driven by recovering international traffic. Domestic paths continued to operate below the underpin level, with the government covering the shortfall as per the underpin agreement.

The billed international train paths in FY25 (including both pre-booked and spot bid) increased 4.4% yoy to 17,328, of which pre-booked paths were 97%. Eurostar has submitted pre-booked train paths to about 97% of the pre-pandemic level for May-December 2025, largely in line with the previous forward timetable submission for May-December 2024.

The number of pre-booked domestic train paths for May-December 2025 remains below the underpin arrangement of 1,024 paths in a standard week. Consequently, HS1 remains reliant on timely payments from the Secretary of State for Transport, in accordance with the concession agreement, which helps to absorb cash flow depletion.

The current pre-booked train paths for both international and domestic traffic are about 94% of the total train paths before the pandemic. HS1's total billed train paths in FY25 were 96% of the pre-pandemic level (FY20: 74,267). This reflects the robust contractual protections of the underpin scheme and captures the strong post-pandemic recovery from the international route.

Key Features

Project Summary Data

Project type	High speed rail link
Project location	UK
Project status	Operation
Completion guarantor	N/A
Revenue basis	Availability (about 60%); Volume (about 40%)
Concession/lease maturity date	31 December 2040
Concession granting authority	UK government (Secretary of State for Transport)
Applicable regulation	Includes, inter alia, the Concession Agreement (July 2010), Railways Act (1993), Access (2005), Interoperability (2006) and the CTRL Act (2008)
Offtaker	Southeastern (about 60%) Eurostar (about 33%)
Operator	HS1 Limited and Network Rail (High Speed) Limited

Source: Fitch Ratings

Financial Summary Data

Rated debt terms	- GBP610m fixed-rate bond due Nov 2038 - GBP246.5m index-linked bond due Nov 2038 - GBP5bn multi-currency note issuance programme
Amortisation profile	Broadly annuity
Tail before concession maturity	12 months
Hedging counterparty	'A-'/'F1' on day one, collateralise at 'BB+'
Guarantors	N/A
Liquidity provider	Minimum 'BBB'. Standby drawing at 'BBB-'
Reserves	OMRC escrow accounts, 12 months DSRF
Transaction triggers	Lock-up: DSCR < 1.20x Default: DSCR < 1.05x

Source: Fitch Ratings

Financial Profile and Fitch Cases

Overview

Sponsor case is conservative with traffic growth projections for domestic and international traffic prudently forecast by the company. Its evolution is linked to the contractual underpin for the Southeastern Trains Limited or based on available data from the forward timetable for both domestic and international traffic (Eurostar).

Fitch applied stresses to both domestic and international train volumes as most of the revenue is derived from rail traffic. We have also applied haircuts to the unregulated business (retail and car park revenue), and our internal inflation assumptions for UK from the latest September 2025 *Global Economic Outlook*.

Current Cases

The sponsor case projects traffic growth of about 2.3% CAGR for FY26-FY40 in which the debt is repaid.

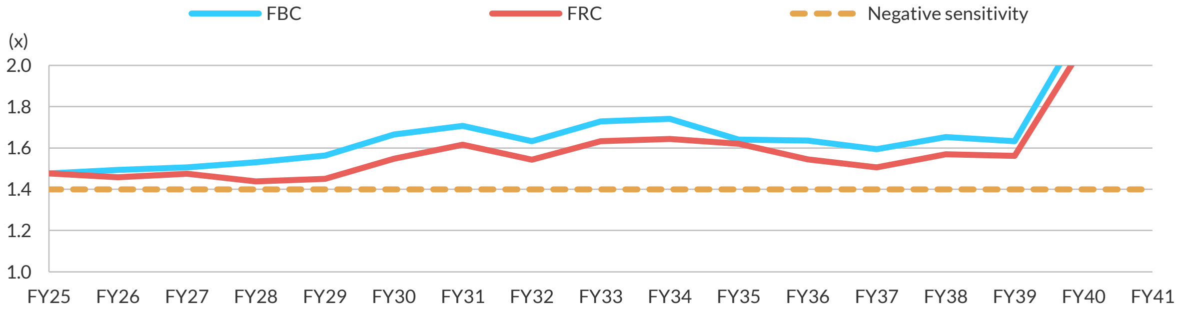
The Fitch base case (FBC) reflects our expectations regarding HS1's performance during a regular economic cycle. The FRC reflects a reasonable downside scenario. Both cases include more conservative assumptions than the sponsor case for both international and domestic train paths growth.

While the FBC largely follows the sponsor's assumptions in terms of train volumes, we have also applied a minor haircut of 5% to the unregulated portion of revenue (retail and car park). We expect international train paths to recover to pre-pandemic levels by FY27, and domestic train volumes by FY29. The aggregate CAGR on traffic for both domestic and international train volumes is about 1.1% over FY26-FY40.

Under the FRC, we project international train volumes to achieve pre-pandemic recovery by FY28, and domestic train volumes substantially back by FY31. The FRC shows an aggregate CAGR of about 0.8% over FY26-FY40. For unregulated revenue, we have applied a greater haircut of 15% to the management's assumptions in view of its exposure to discretionary spending.

HS1's DSCR profile remains robust under the FRC with an average DSCR of 1.54x and a minimum DSCR of 1.44x in FY28. This is commensurate with the current rating positioning.

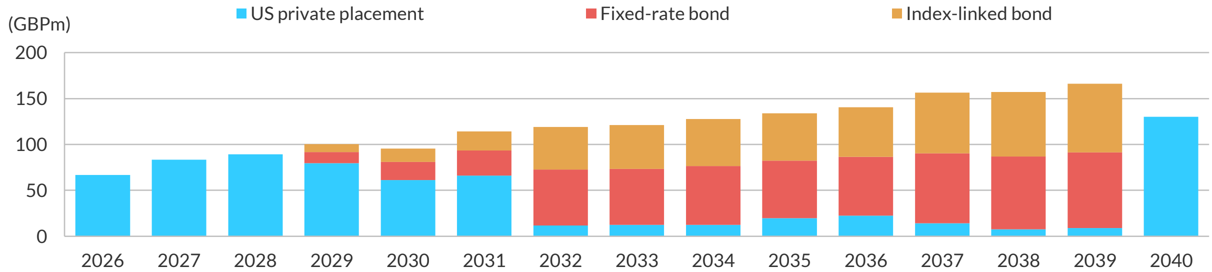
HS1's DSCR Profile



Source: Fitch Ratings

Amortisation Schedule

HS1's Debt Amortisation Profile



Note: Based on the financial year, not the calendar year.
Source: Fitch Ratings

SOLICITATION & PARTICIPATION STATUS

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