



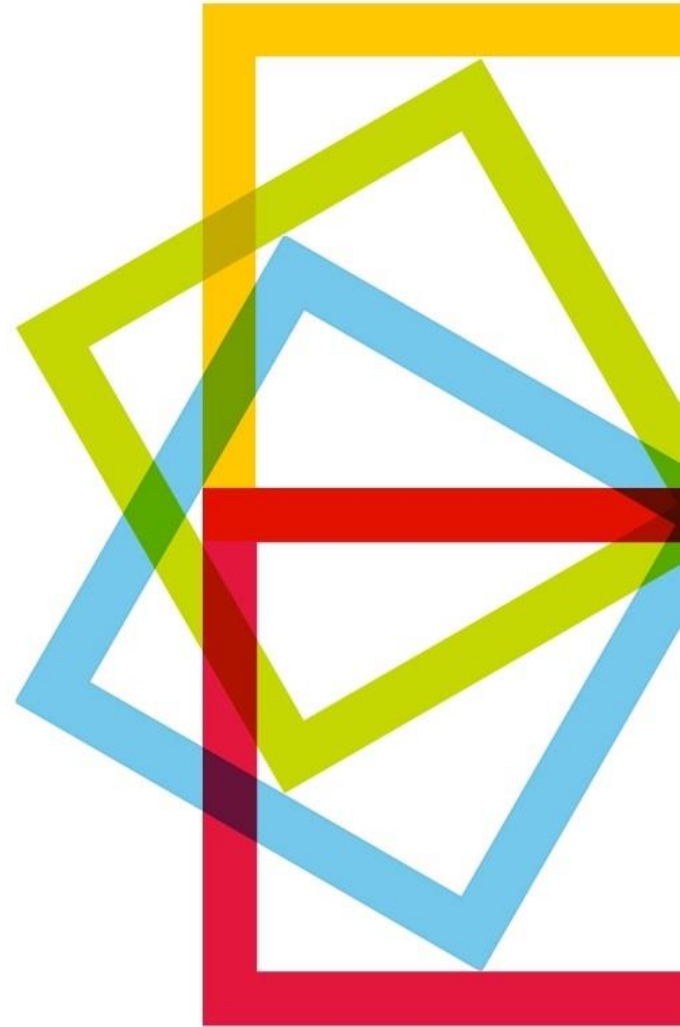
**STANDARD & POOR'S  
RATINGS SERVICES**

McGRAW HILL FINANCIAL

# US Airport Sector Overview: Trends and Ratings Activity

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**Director**  
**U.S. Public Finance Infrastructure Ratings**

**MAGNY Presentation**  
**April 4, 2014**



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# Airport Sector Overview Agenda

Demand trends

Ratings distribution and activity

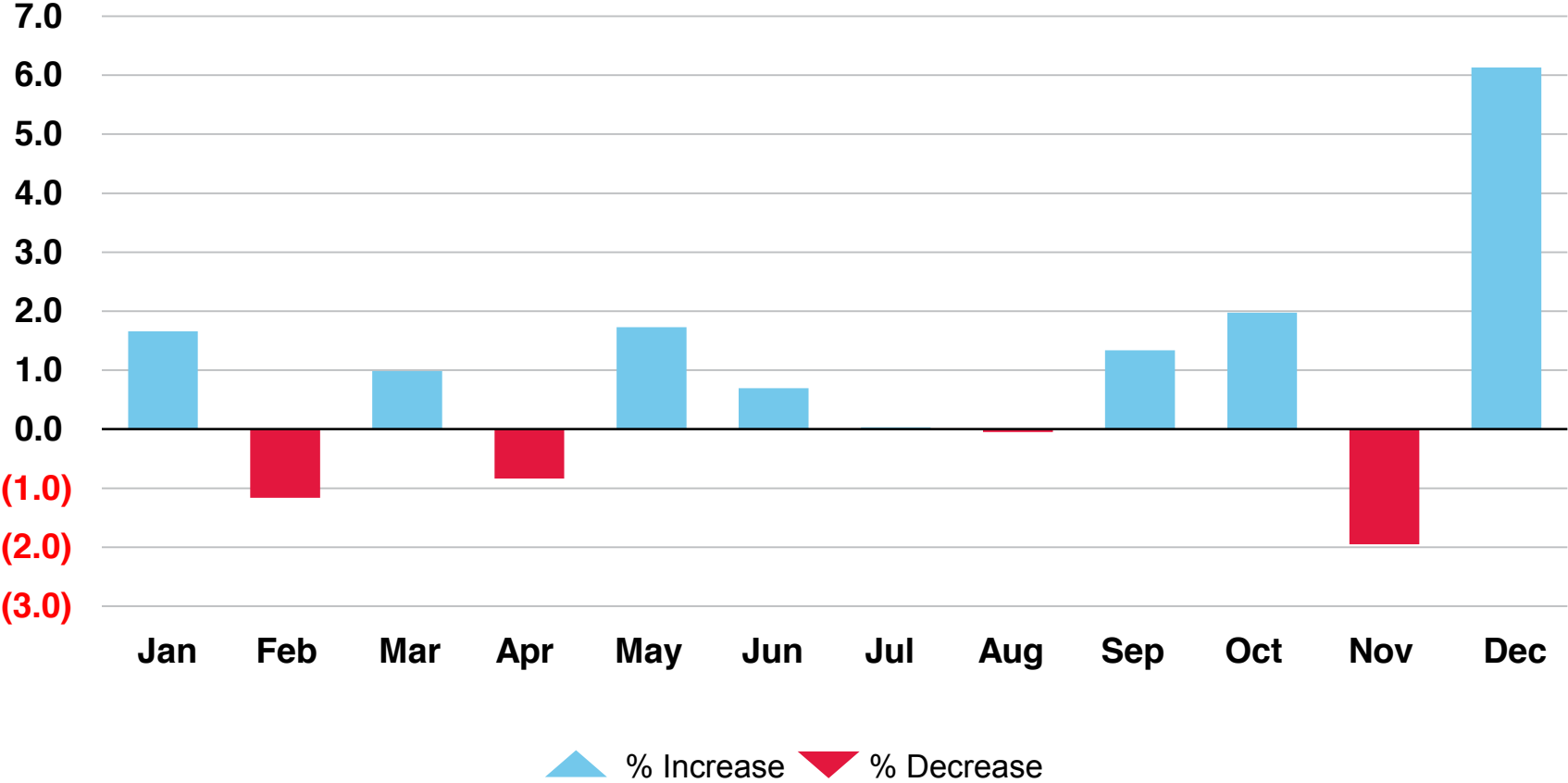
Credit metrics

Credit risks and closing remarks

Q&A

# Traffic is Rebounding, but ...

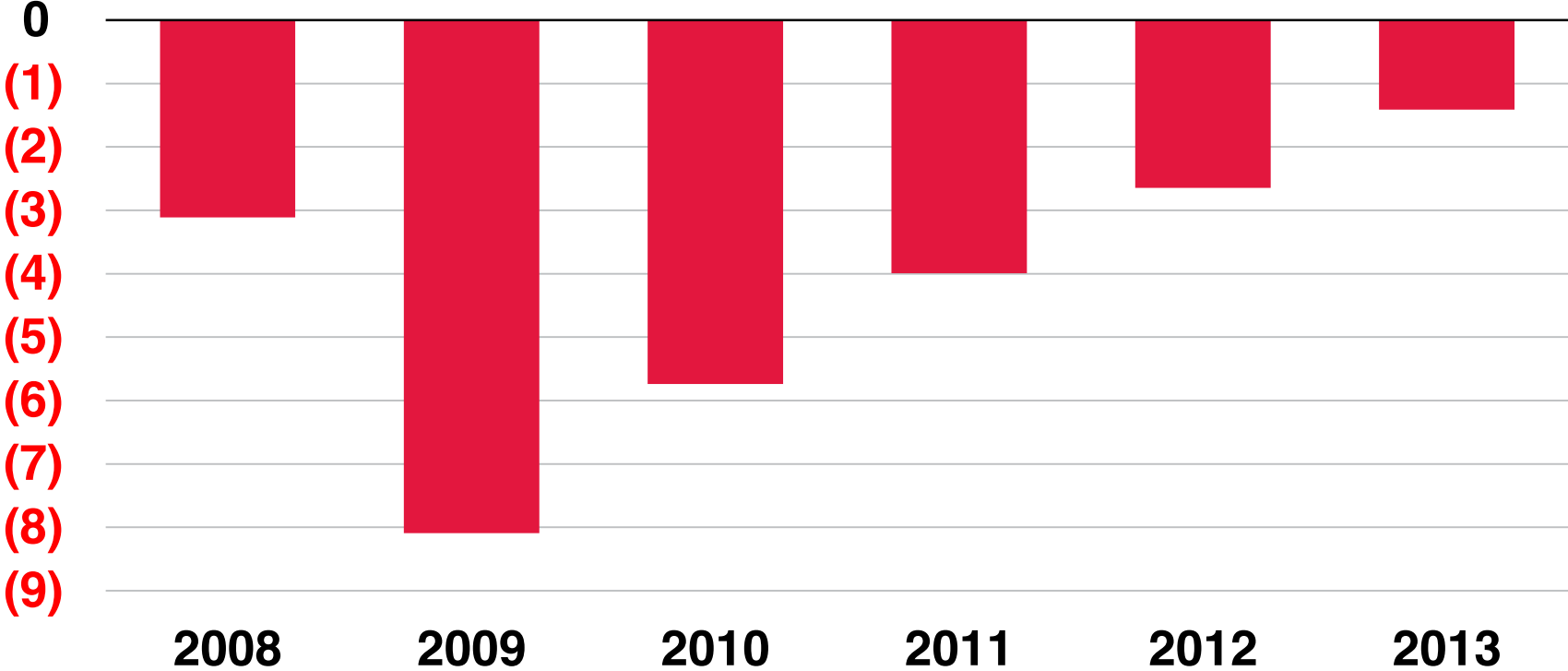
## Airline Passengers on US Airlines Monthly Percent Change from 2012 to 2013 Scheduled Service



Source: Bureau of Transportation Statistics.

# Overall Demand is Still Below Pre-Recession Levels

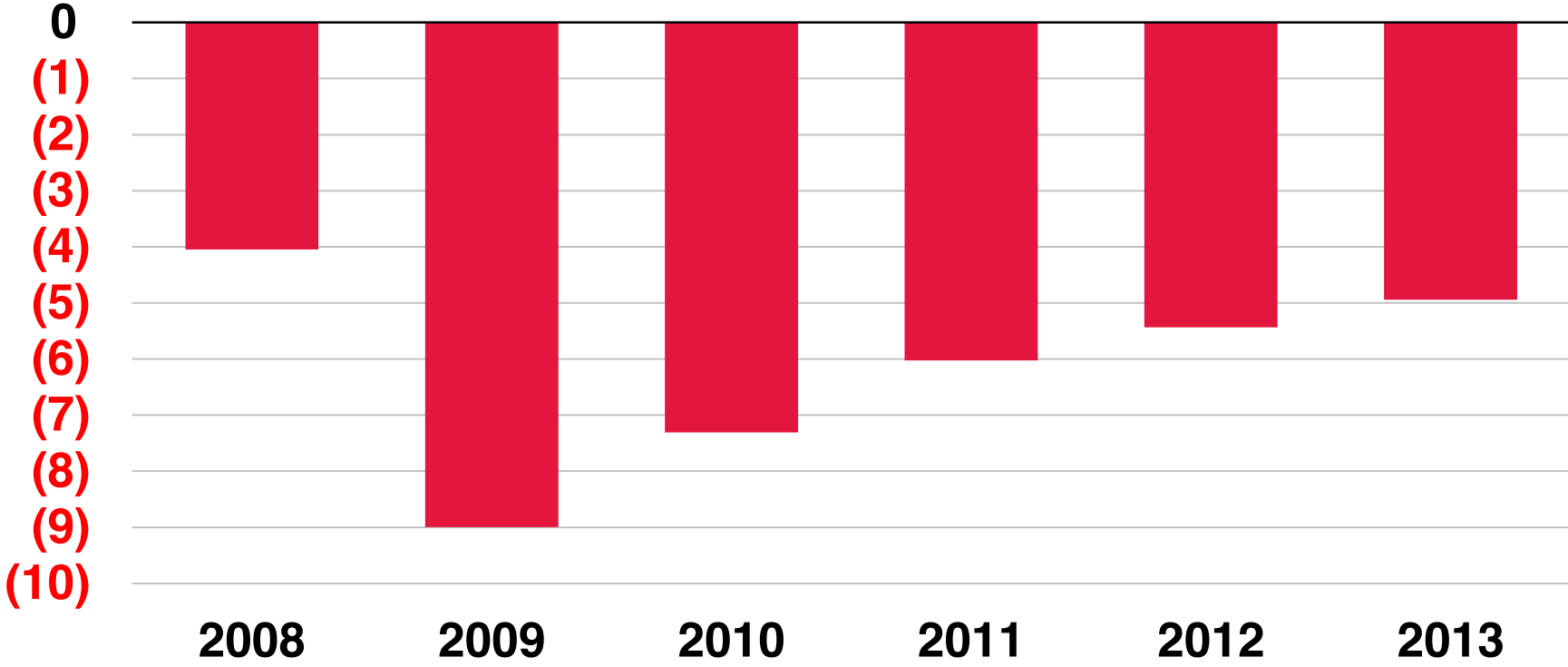
## 2008-2013 Total Enplanements (Percentage Below 2007 Levels)



Source: Bureau of Transportation Statistics.

# Domestic Demand Is Still Recovering

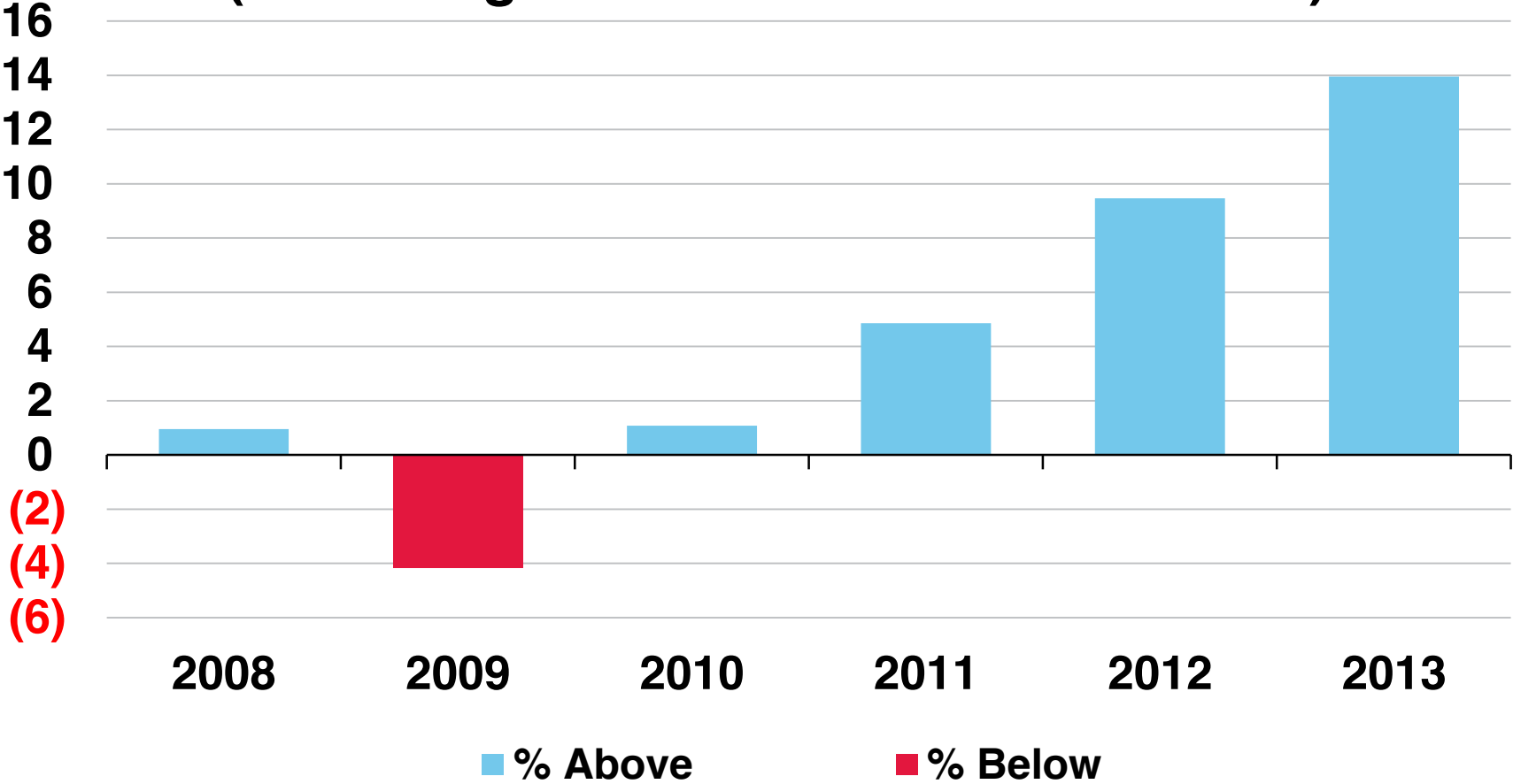
## 2008-2013 Total Domestic Enplanements (Percentage Below 2007 Levels)



Source: Bureau of Transportation Statistics.

# While International Traffic Continues to Surpass Prior Levels

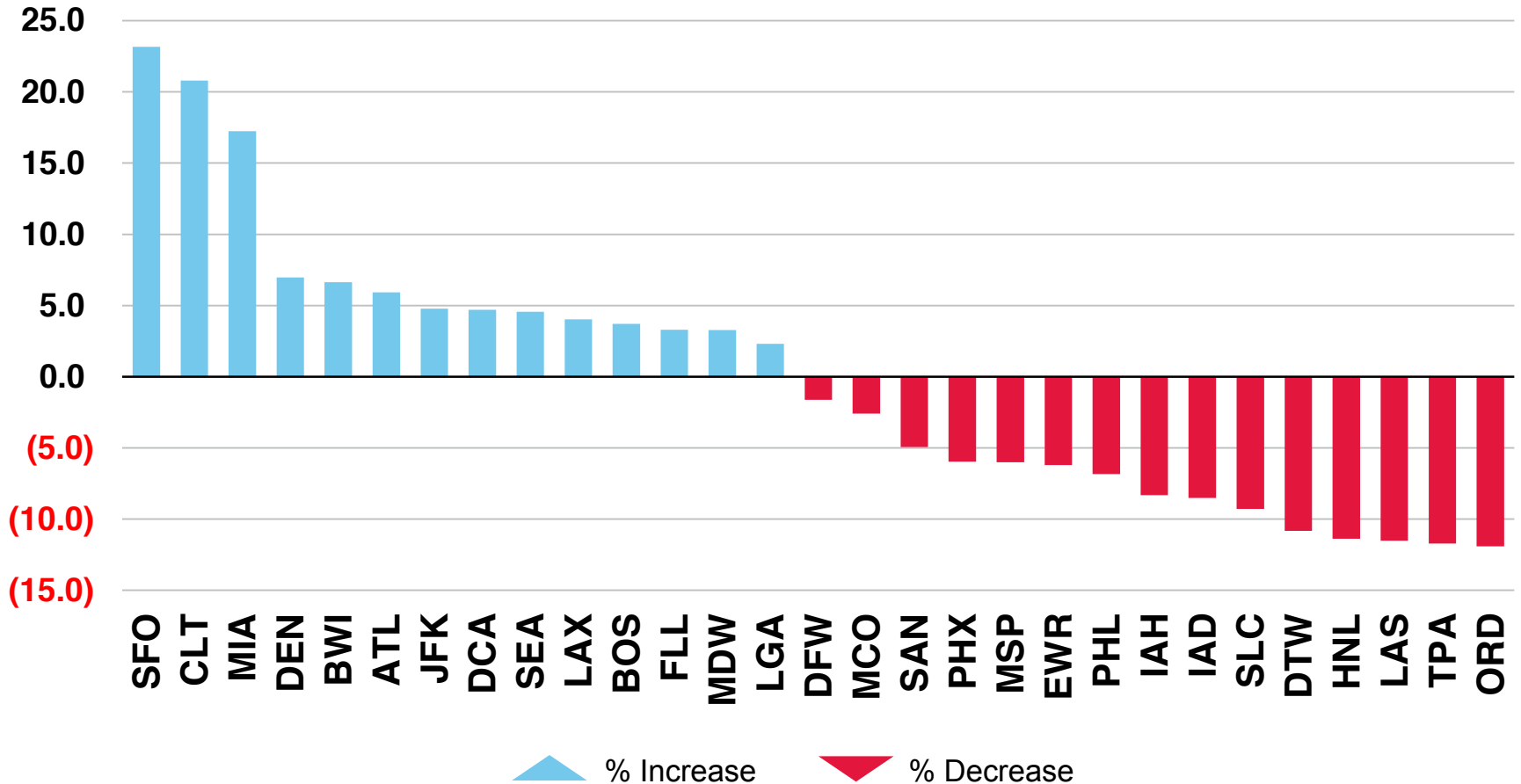
## 2008-2013 Total International Enplanements (Percentage Above & Below 2007 Levels)



Source: Bureau of Transportation Statistics.

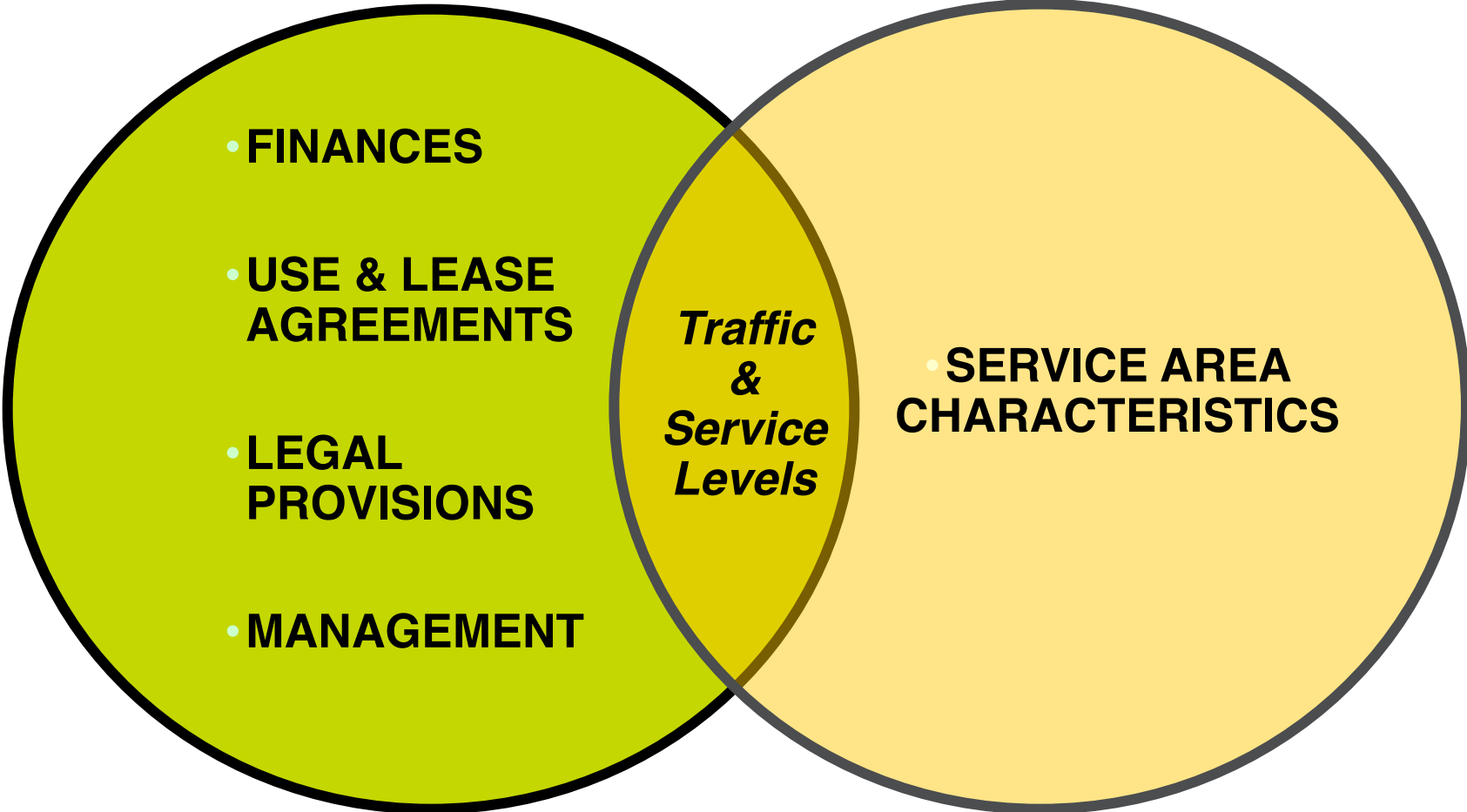
# What Will be the New Baseline for Demand?

Percent Change in Enplanements Among Large Hubs from 2007 to 2012



Source: Federal Aviation Administration.

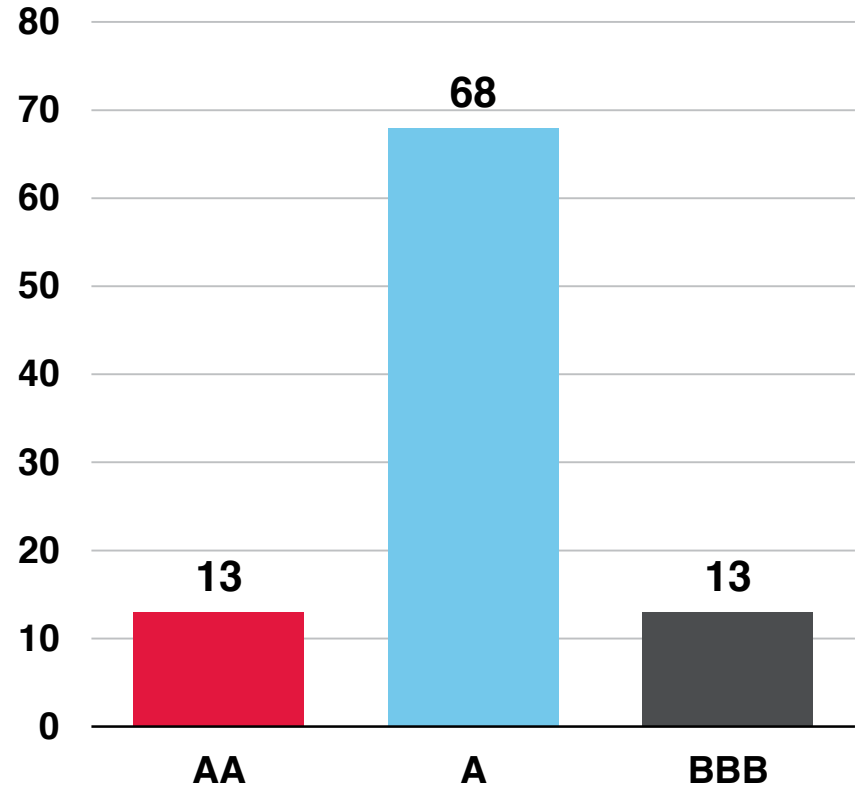
# Key Determinants of Airport Credit Quality Per S&P





# Rating Distribution – U.S. Airport GARB Ratings\*

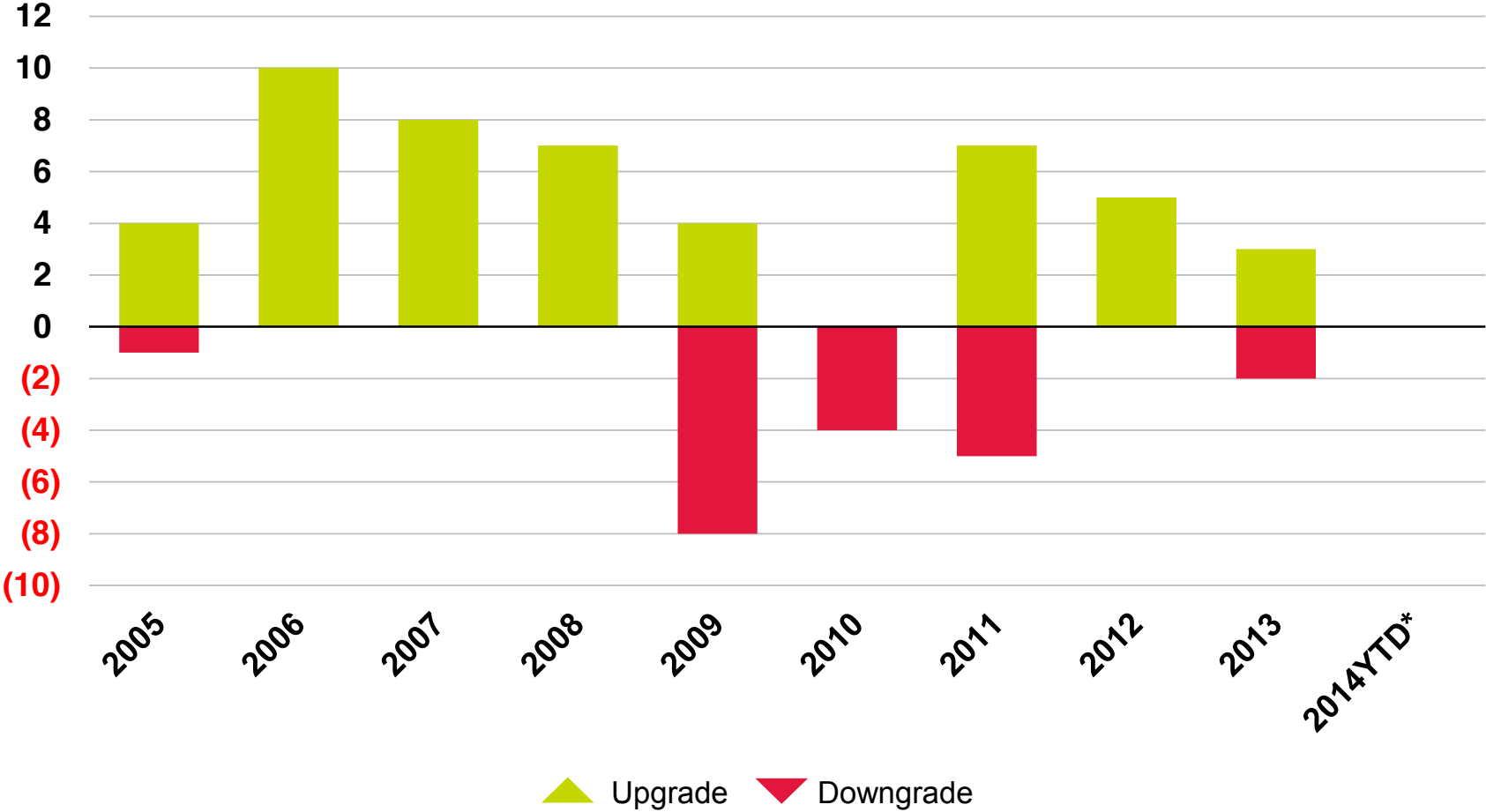
- 94 underlying GARB ratings across 72 unique airport credits
- 22 of the 94 ratings are subordinate lien ratings across 20 airport credits
- Unlike U.S. airports, most U.S. passenger airline companies are rated **NIG**, with the exception of Southwest Airlines



Notes: \*As of Apr. 2, 2014; Source: Standard & Poor's Ratings Services.

# Rating Upgrades Have Exceeded Downgrades Recently

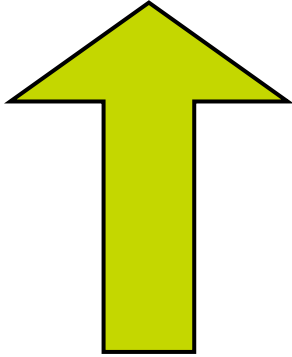
## Historical US Airport GARB Rating Trends



Notes: \*As of Apr. 2, 2014; Source: Standard & Poor's Ratings Services.

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# Recent\* Rating Upgrades and Downgrades



## Upgrades

Charleston County Airport District, SC

Des Moines International Airport, IA

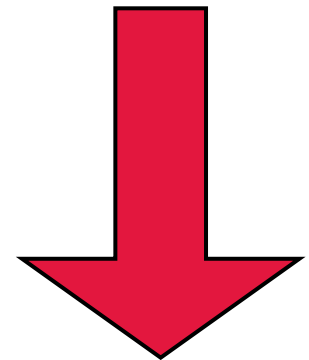
Hartsfield Jackson Atlanta International Airport, GA

NYCIDA's Terminal One Group Association L.P.

## Downgrades

Bishop International Airport, MI

Colorado Springs Airport, CO



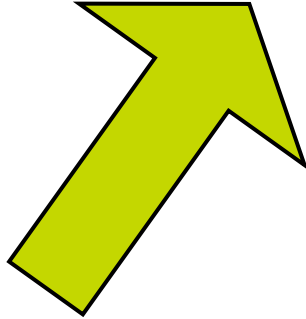
**Notes:** \*Calendar 2013 and through first quarter of 2014; **Source:** Standard & Poor's Ratings Services.

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# Other Airport Credits With Non-Stable Outlooks\*

## Positive Outlooks

Will Rogers World Airport, OK



## Negative Outlooks

Cincinnati/Northern Kentucky International Airport, KY

Cleveland Hopkins International Airport, OH\*\*

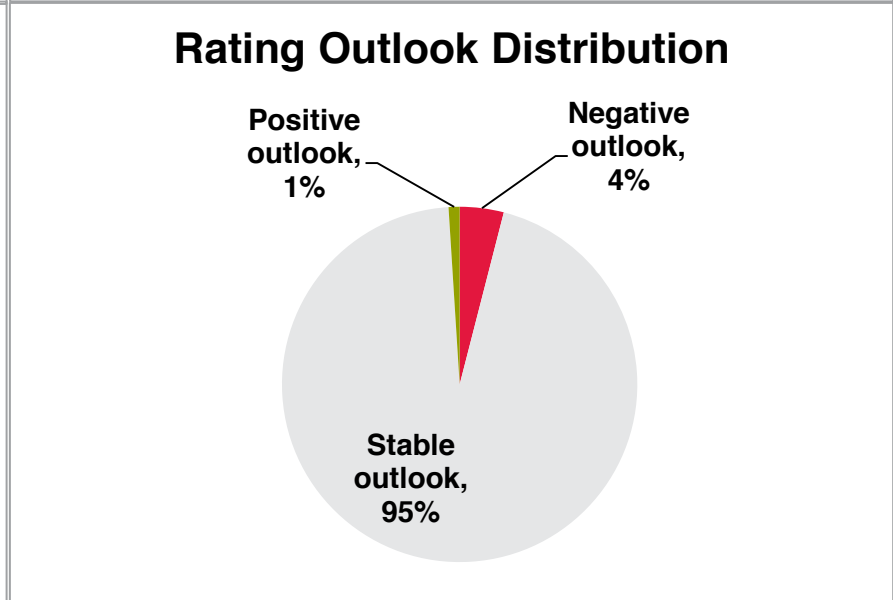
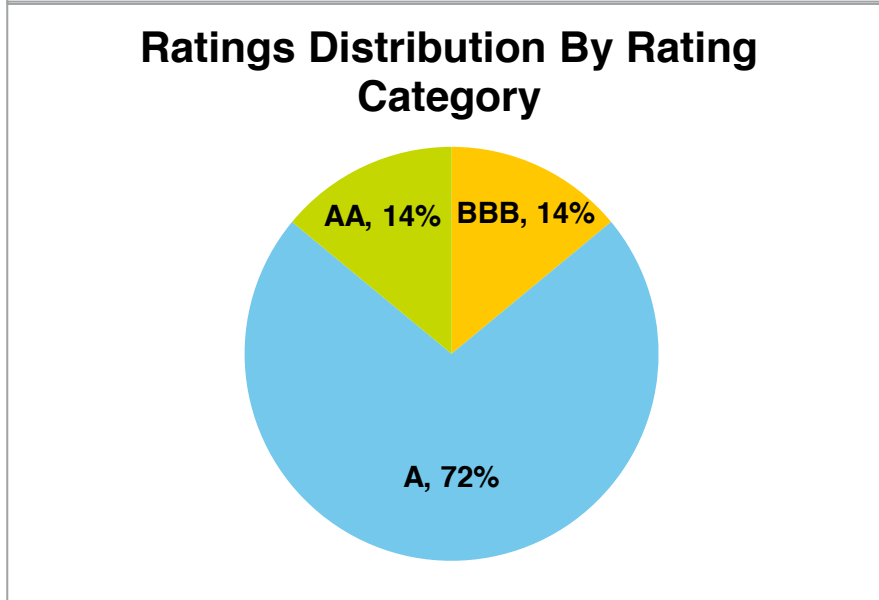
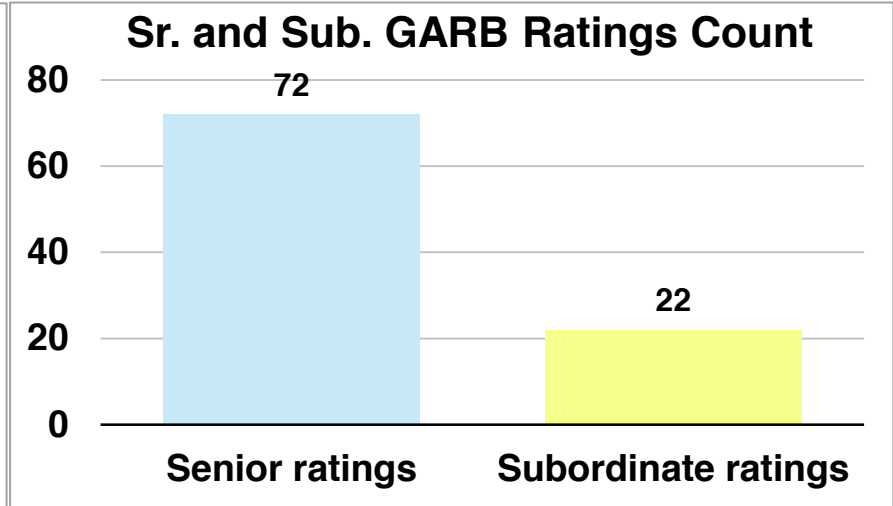
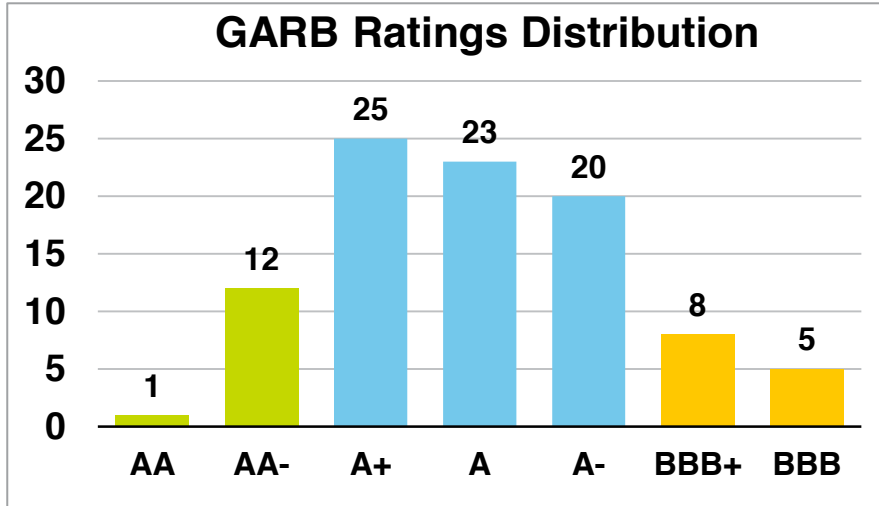
Pensacola Regional Airport, FL

Philadelphia International Airport, PA



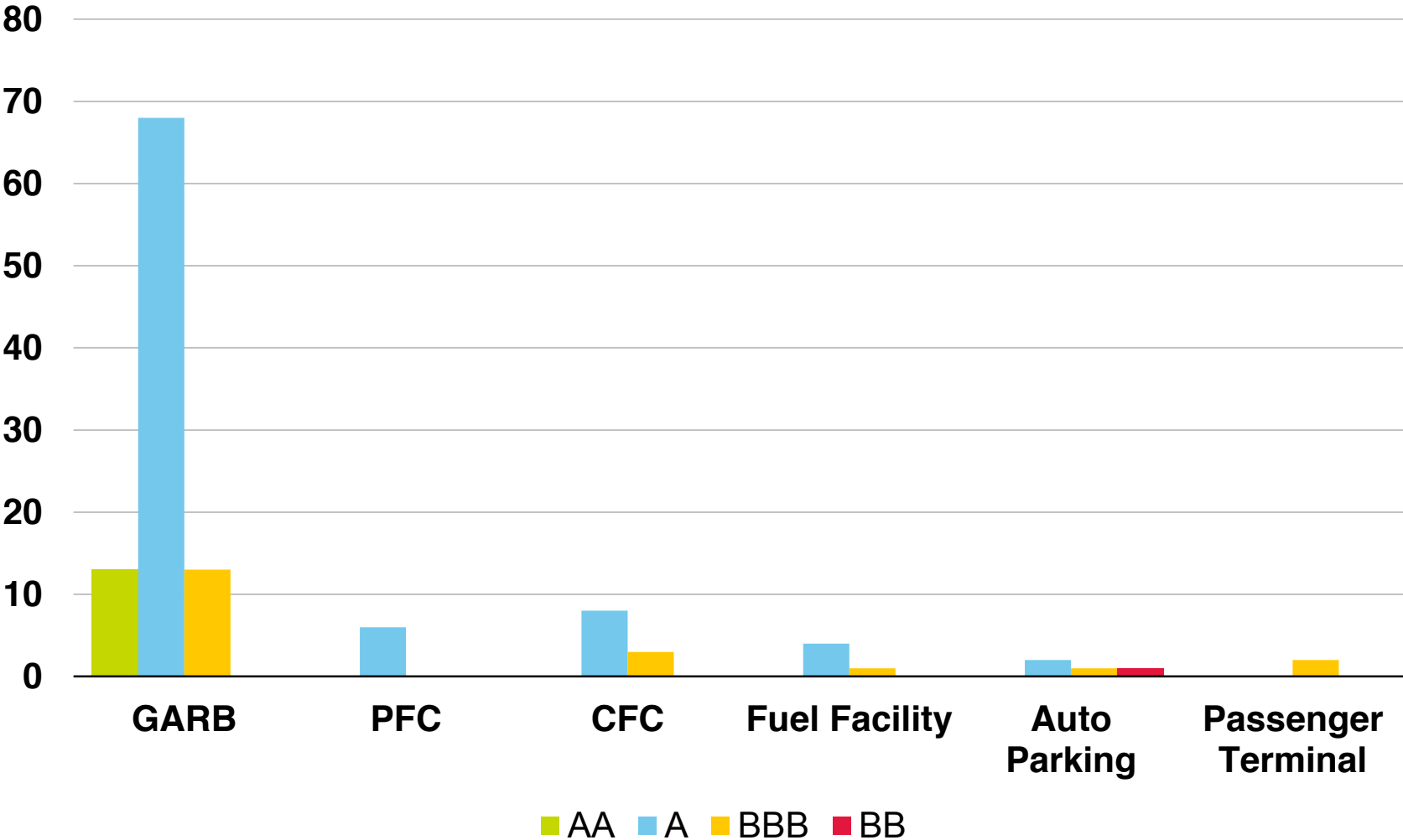
**Notes:** \*As of Apr. 2, 2014; \*\*Cleveland is on CreditWatch Negative; **Source:** Standard & Poor's Ratings Services.

# Most U.S. Airports Remain Solidly Investment Grade\*



Notes: \*Ratings as of Apr. 2, 2014; Source: Standard & Poor's Ratings Services.

# Rating Category Distribution\* By Security



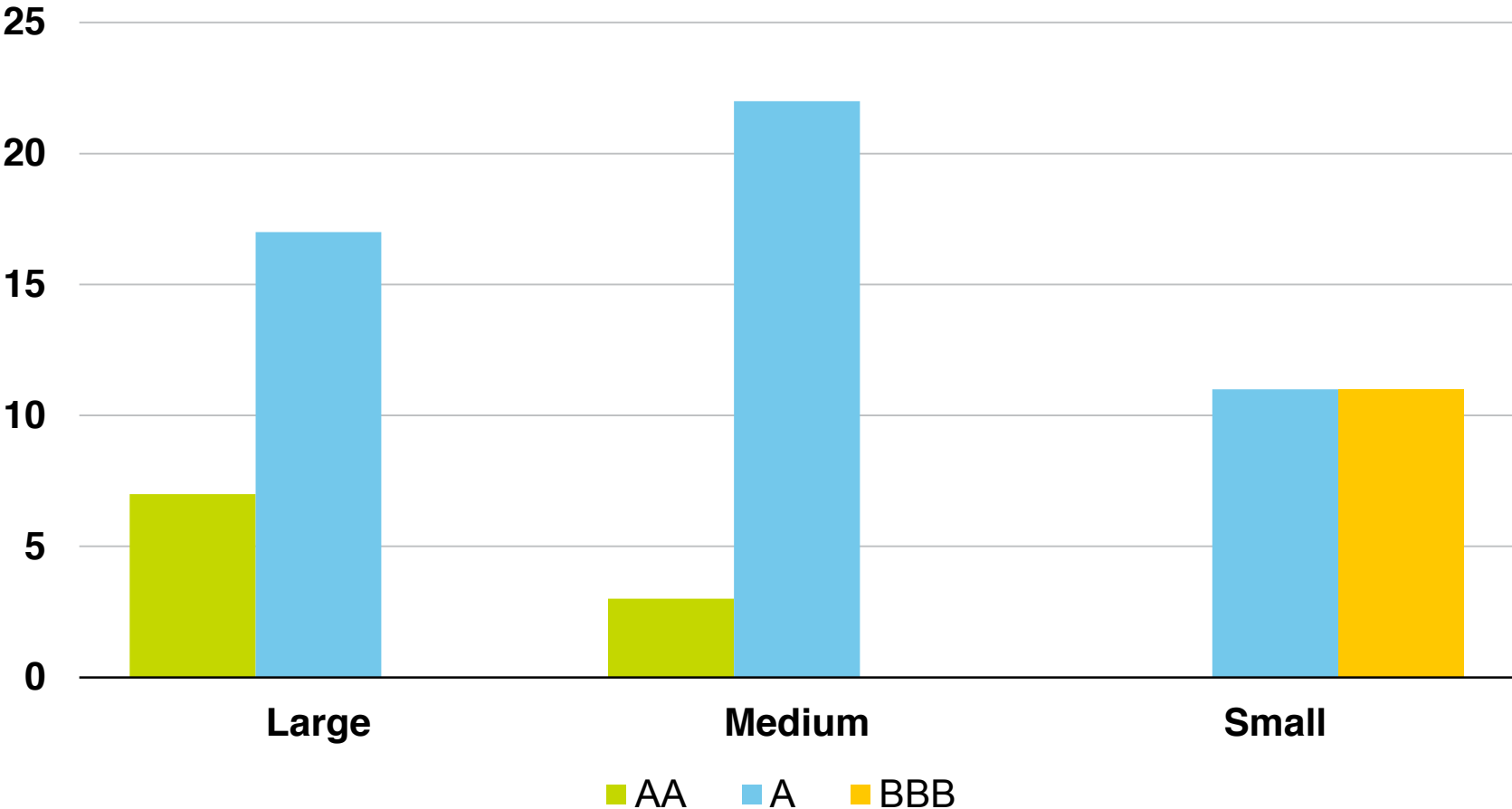
Notes: \*As of Apr. 2, 2014; Source: Standard & Poor's Ratings Services.

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# Characteristics of S&P's 72 Rated U.S. Airport Credits

- 82% have a predominantly origin and destination (O&D) nature
- Half have an S&P's DSC of 1.47x or higher
- 89% employ a residual or hybrid rate-setting approach in determining airline rates and charges
- Half have GARB debt per enplanement of about \$83.60 or lower
- Half have an airline cost per enplanement of about \$8.57 or lower
- All are non-profit closed systems where excess revenues stay within the enterprise

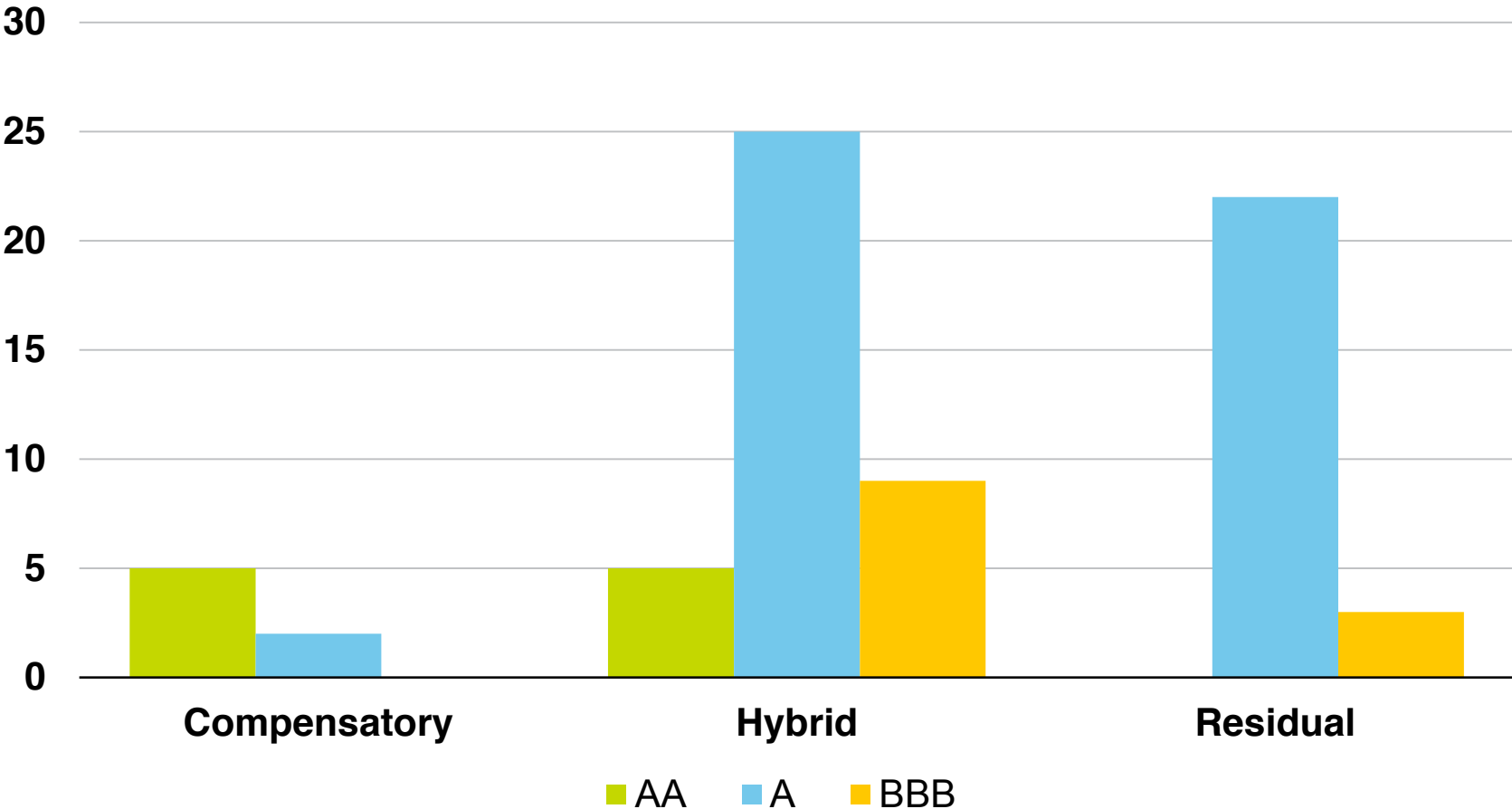
# GARB Rating Category Distribution By Hub Size\*



\* Based on 2012 data



# GARB Rating Category Distribution By Rate Setting Method



\* Based on 2012 data

## Select Medians By GARB Rating Category

	-- 2012--		
	AA	A	BBB
<b>Count</b>	<b>10</b>	<b>50</b>	<b>12</b>
<b>CY EPAX (thou.)</b>	<b>16,033</b>	<b>4,193</b>	<b>816</b>
<b>Year over year CY EPAX change (%)</b>	<b>0.5</b>	<b>(0.1)</b>	<b>(2.7)</b>
<b>Origin and destination EPAX (%)</b>	<b>75.3</b>	<b>92.0</b>	<b>99.5</b>
<b>Primary airline EPAX market share (%)</b>	<b>27.3</b>	<b>40.7</b>	<b>45.5</b>
<b>S&amp;P GARB debt service coverage (x)</b>	<b>2.20</b>	<b>1.47</b>	<b>1.21</b>
<b>GARB debt per EPAX (\$)</b>	<b>80.99</b>	<b>73.65</b>	<b>98.12</b>
<b>GARB debt-to-EBIDA (x)</b>	<b>9.6</b>	<b>10.8</b>	<b>15.2</b>
<b>Cost per EPAX (\$)</b>	<b>12.56</b>	<b>8.54</b>	<b>8.32</b>
<b>Passenger airline revenue to total operating revenue (%)</b>	<b>40.5</b>	<b>38.0</b>	<b>30.0</b>
<b>Days' unrestricted cash on hand</b>	<b>444.8</b>	<b>389.0</b>	<b>216.3</b>
<b>Unrestricted cash and investments to GARB debt (%)</b>	<b>18.2</b>	<b>15.2</b>	<b>11.1</b>

Notes: GARB=general airport revenue bonds, CY=calendar year, EPAX=enplanements

Source: Standard & Poor's Ratings Services.

## Select Medians By Hub Size

	-- 2012--		
	Large	Medium	Small
<b>Count</b>	<b>24</b>	<b>25</b>	<b>22</b>
<b>CY EPAX (thou.)</b>	<b>19,596</b>	<b>3,890</b>	<b>1,161</b>
<b>Year over year CY EPAX change (%)</b>	<b>1.0</b>	<b>(2.8)</b>	<b>(0.9)</b>
<b>Origin and destination EPAX (%)</b>	<b>65.9</b>	<b>95.0</b>	<b>99.0</b>
<b>Primary airline EPAX market share (%)</b>	<b>46.1</b>	<b>39.1</b>	<b>37.5</b>
<b>S&amp;P GARB debt service coverage (x)</b>	<b>1.44</b>	<b>1.53</b>	<b>1.50</b>
<b>GARB debt per EPAX (\$)</b>	<b>94.58</b>	<b>64.56</b>	<b>81.39</b>
<b>GARB debt-to-EBIDA (x)</b>	<b>16.1</b>	<b>8.9</b>	<b>9.6</b>
<b>Cost per EPAX (\$)</b>	<b>9.65</b>	<b>9.57</b>	<b>6.66</b>
<b>Passenger airline revenue to total operating revenue (%)</b>	<b>48.9</b>	<b>40.5</b>	<b>27.6</b>
<b>Days' unrestricted cash on hand</b>	<b>327.5</b>	<b>226.3</b>	<b>446.1</b>
<b>Unrestricted cash and investments to GARB debt (%)</b>	<b>11.6</b>	<b>12.0</b>	<b>37.3</b>

Notes: GARB=general airport revenue bonds, CY=calendar year, EPAX=enplanements

Source: Standard & Poor's Ratings Services.

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## Credit Risks and Closing Remarks

- Credit risks for the sector are: weak or sluggish economic conditions; high fuel prices; airline service decisions and pricing strategies; limited or unpredictable federal support; and airline consolidation
- We expect credit quality for U.S. airports to be generally stable in 2014
- However, airports unwilling or unable to adjust rates, expenses, and capital spending to maintain or improve debt service coverage and liquidity that are experiencing fluctuating or declining demand and increasing leverage could face downward rating pressure
- Large hub airports are generally better positioned



## Questions?

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