



(/en_US/web/guest/home) Philadelphia International Airport's 2017A&B Revenue And Refunding Bonds Rated 'A'; Other Ratings Affirmed

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CHICAGO (S&P Global Ratings) Dec. 6, 2017--S&P Global Ratings has assigned its 'A' long-term and underlying ratings to Philadelphia's pro forma \$145.2 million series 2017A and \$577.6 million series 2017B airport revenue and refunding bonds, issued for Philadelphia International Airport (PHL). At the same time, S&P Global Ratings affirmed its 'A' long-term and underlying ratings on PHL's airport revenue bonds. The outlook is stable.

S&P Global Ratings also affirmed its 'AA+/A-1+' rating on the airport's parity variable-rate demand bonds series 2005C, of which approximately \$110.7 million is outstanding.

The 'A' SPUR reflects our view of the airport's:

Relatively large O&D market, with a diverse service area economy that provides a good base for local air travel demand;
Good level of aeronautical activity, with total enplanements averaging 15.4 million from fiscal years 2011-2016 but declined to 14.8 million for fiscal 2017. We expect enplanements to hover near these levels due to PHL's large O&D base and role as a key transatlantic connecting point for American Airlines Inc.; and
Debt burden that we expect to increase, but remain manageable, assuming enplanements are generally stable.

We believe offsetting these credit strengths are the airport's:

Relatively high air carrier concentration with American and its regional affiliates handling an estimated 70% of fiscal 2017 enplaned passengers and nearly all connecting traffic;
A moderately high exposure to connecting passengers, which accounted for 32.7% of total enplaned passengers in fiscal 2017;
Historically marginal S&P Global Ratings-adjusted debt service coverage (DSC) levels and fluctuating liquidity position that could continue.

Bond proceeds will refund portions of PHL's commercial paper notes; refund the 2007A, 2007B, and 2009A bonds; finance various capital improvement projects as outlined in the airport's broader capital development plan (CDP); fund the related sinking fund reserve requirement for PHL's outstanding bonds, including the current issuance; fund capitalized interest on a portion of this issuance; and pay the costs off issuance.

Philadelphia operates PHL and the Northeast Philadelphia Airport, a small general aviation airport that operates at a loss. Together, they constitute the airport system. According to Airports Council International-North America data, in 2017, PHL ranked 19th in terms of total passengers in the U.S. It is a major hub in the northeast for American, which merged with US Airways in December 2013.

"The stable outlook reflects our expectation that demand will hover near recent levels, S&P Global Ratings-adjusted DSC will stay near 1x, and liquidity will stay near current levels, despite PHL's significant additional debt plans," said S&P Global Ratings credit analyst Kevin Archer. We do not expect to raise or lower the rating in the outlook's two-year timeframe.

A higher rating could result beyond the outlook period if the airport's demand increases notably and sustainably, producing DSC (S&P Global Ratings-adjusted) that is 1x or better and adequate liquidity levels that we believe are both sustainable and consistent with a higher rating.

We could lower the rating if our adjusted DSC is consistently below 1x or PHL's liquidity position materially erodes.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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