
S&P Global

Ratings

Mobile Airport Authority, AL, Revenue Bonds Upgraded To 'BBB+' From 'BBB' On Improved Debt Service Coverage

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CENTENNIAL (S&P Global Ratings) Dec. 12, 2017--S&P Global Ratings raised its underlying rating on Mobile Airport Authority, Ala.'s general airport revenue bonds (GARBs) outstanding to 'BBB+' from 'BBB'. At the same time, S&P Global Ratings assigned its 'BBB+' rating to the authority's series 2017 GARBs. The outlook is stable.

The upgrade reflects the authority's improved debt service coverage (DSC) and liquidity over the past four fiscal years. "The upgrade further reflects our expectation that the authority will maintain strong DSC near or above 2x, and that liquidity will stay at levels we consider adequate," said S&P Global Ratings Kenneth Biddison.

The rating reflects our view of the authority's credit strengths, including: Strong GARB maximum annual debt service (MADS) coverage at 2x in fiscal 2016, which we expect to continue; and

A relatively low debt burden, with debt per enplanement of about \$61 in each of the past three fiscal years and no near-term additional debt needs.

We believe the following factors offset these credit strengths:

Competition from five airports within 150 miles of the city limits, constraining enplanement levels;

A relatively high airline cost structure, at \$13.40 per enplanement based on unaudited fiscal 2017 figures.

Bond proceeds will advance refund the authority's series 2011 bonds, purchase a reserve fund credit facility for the series 2016 bonds, and pay certain costs of issuance.

The authority owns and operates Mobile Regional Airport (MOB), the Mobile Downtown Airport at Brookley, and the Brookley Aeroplex. A majority of the authority's revenues come from MOB, its passenger airline facility. The Downtown Airport is a public use facility, generating revenue from landing fees, fuel and property leases. The Brookley Aeroplex contains several warehouses and industrial buildings, generating additional lease revenue for the authority. In fiscal 2016, MOB had nearly 293,000 enplanements, and the authority earned approximately \$14 million in total operating revenues from the airport. Unaudited 2017 results indicate 3.8% growth in enplanements to 304,000.

The stable outlook reflects our opinion that MOB will maintain financial metrics near current levels and enplanements will be generally stable.

We do not expect to raise the rating during the outlook period given the airport's relatively small size, constrained activity due to competition, and our expectation that MOB's financial metrics will stay near recent levels.

We could lower the rating if coverage or liquidity materially erode.

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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