

Rating Action: Moody's upgrades to A1 Miami-Dade County's, FL's Aviation Revenue Bonds, outlook stable

07 Jul 2022

New York, July 07, 2022 -- Moody's Investors Service ("Moody's") has upgraded to A1 from A2 Miami-Dade (County of) FL Airport Enterprise's Aviation Revenue Bonds. The rating outlook is stable. The airport authority has around \$5.2 billion of aviation revenue bonds outstanding.

RATINGS RATIONALE

The upgrade to A1 reflects the airport's solid competitive position as a major gateway to Latin America and the airport with the largest amount of cargo transshipment by weight in the lower-48 states. Miami International Airport (MIA)'s domestic and international enplanement recovery has outperformed Moody's expectations, benefiting also from airlines Southwest, JetBlue and Spirit that have started service from MIA. Moody's now expects that fiscal year 2022 enplanements will likely be consistent or slightly exceed 2019 levels and moderate enplanement growth consistent with the overall US market beyond that.

MIA's credit profile also benefits from the residual rate recovery framework of its airline use and lease agreement that extends through 2033 and supports a solid cost recovery and adequate debt service coverage ratios (DSCR).

The ratings negatively consider a high leverage (adjusted debt per O&D enplanements \$510.5 in fiscal 2021) and high exposure to American Airlines, Inc. (Ba3 stable), Moody's lowest rating of the four largest US based airlines.

Leverage will increase as the airport implements its \$5.9 billion capital plan through fiscal 2027 and beyond, however rapid amortization of previously issued debt will limit the net debt increase. MIA expects to finance around \$300-350 million of capital expenditures per year. Many projects lack fixed price contracts at this time, introducing risks that prices could increase if labor or material costs continue to rise at rates above historic levels. The main risk to the rating would be additional major debt-financed capital expenditures that are currently not in the capital plan.

Other constraining credit factors include a high-cost base relative to other American Airlines hubs even though MIA expects that CPE will remain below \$25.00 and a weak debt service reserve fund requirement.

Miami will return to a DSCR of around 1.15x on average and leverage per O&D enplanement around \$350 in 2022 and beyond supported by a strong enplanement recovery and the residual rate-setting framework. Moody's net revenue debt service coverage in fiscal 2021 was below 1.0x.

RATING OUTLOOK

The stable outlook reflects Moody's view that MIA will continue to have one of the stronger passenger recoveries in the nation, even in a period of economic stress and that the capital plan will be managed to reflect changes in economic or operational conditions. We expect a return of the net revenue DSCR to 1.15x in 2022 from below 1.0x in 2021.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Total net revenue DSCR above 1.5x
- Days cash on hand above 500 days
- Leverage with adjusted debt per O&D passenger declining below \$250 on a sustained basis

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Total net revenue DSCR below 1.10x on a sustained basis

- Liquidity below 250 days cash on hand
- Significant capital cost increases that increase debt per O&D passenger above \$500

LEGAL SECURITY

The bonds are secured by a first lien on net airport revenues. The rate covenant requires that airline rates and charges be set to achieve at least 120% coverage of annual debt service. Rolling coverage is allowed and can include balances in the improvement fund as offsets to annual debt service. The debt service reserve requirement is half of maximum annual debt service.

MIA has around \$5.2 billion in revenue bonds outstanding as of September 30, 2021 with fairly high annual debt service over \$356 million on average in the period fiscal 2022-27.

PROFILE

Miami International Airport (MIA) is a FAA large-hub owned and operated by the aviation department of Miami-Dade County, located seven miles west of downtown Miami on approximately 3,230 acres. The aviation department also operates three general aviation airports owned by the county: Miami-Opa Loka Executive Airport (OPF), Miami Homestead General Aviation Airport (X51) and Miami Executive Airport (TMB) as well as the Dade-Collier Training and Transition Airport (TNT).

METHODOLOGY

The principal methodology used in these ratings was Publicly Managed Airports and Related Issuers published in March 2019 and available at <https://ratings.moodys.com/api/rmc-documents/60106> . Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions> .

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