

# Philadelphia International Airport Revenue Bond Rating Outlook Revised To Positive From Stable On Improved Performance

March 14, 2022

NEW YORK (S&P Global Ratings) March 14, 2022--S&P Global Ratings revised the outlook to positive from stable and affirmed its 'A-' long-term rating and underlying rating (SPUR) on Philadelphia's airport revenue bonds outstanding, issued for Philadelphia International Airport (PHL), using its "Global Not-For-Profit Transportation Infrastructure Enterprises criteria," published Nov. 2, 2020.

"The outlook revision reflects our view that there is at least a one-in-three chance that we could raise the ratings within our two-year outlook period, given the airport's actual fiscal year-to-date performance materially exceeds budget for fiscal year ending June 30, 2022; continued vaccine progress; and easing of restrictions that we believe could result in an improved market position, overall liquidity, or both," said S&P Global Ratings credit analyst Joe Pezzimenti.

Key credit strengths, in our opinion, include PHL's:

- Large-hub classification serving a large origin and destination market with favorable economic fundamentals;
- Skilled and very strong management team;
- Historically steady financial performance; and
- Liquidity and financial flexibility metrics we expect will fluctuate at levels we consider strong to very strong.

Key credit weaknesses, in our view, are PHL's:

- Exposure to the lingering COVID-19 pandemic impacts;
- Relatively high airline concentration; and
- Rising airline cost structure and debt metrics.

We analyzed PHL's risks and opportunities related to environmental, social, and governance (ESG) credit factors relative to its market position, management and governance, and financial performance. We view the airport's ESG factors as generally in line with the sector standard. Pandemic-related activity declines, which we view as a social factor, affected revenue performance, although this risk is abating and is not a material credit factor, in our view. All other environmental and governance credit factors are in line with our view of the sector. We will continue to evaluate risks and opportunities.

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We could raise the ratings within the two-year outlook period if we believe enplanements have recovered and normalized to levels we view as consistent with a stronger market position or if we believe the airport can maintain debt service coverage (S&P Global Ratings-calculated) at about 1x, debt to net revenues below 10x, and an overall liquidity position we consider very strong with days' cash at or above 400 days and unrestricted reserves to debt at or above 20%.

We could revise the outlook to stable if the recent recovery in enplanements weakens or if we expect PHL's overall financial metrics will be consistent with an adequate financial risk profile.

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](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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