

RATING ACTION COMMENTARY

Fitch Rates Philadelphia International Airport, PA's Ser 2025AB Rev Bonds 'A+'; Outlook Stable

Tue 29 Jul, 2025 - 3:54 PM ET

Fitch Ratings - New York - 29 Jul 2025: Fitch Ratings has assigned Philadelphia International Airport's (PHL) proposed issuance of the approximately \$393 million of series 2025A and 2025B airport revenue bonds an 'A+' rating. Fitch has also affirmed the rating on the \$1.23 billion senior secured notes from prior issuances. The proposed notes will rank pari passu with the existing notes. The Rating Outlook on all bonds is Stable.

RATING RATIONALE

The rating reflects PHL's role as the main air service provider to a large and stable service area that generates a solid origination and destination (O&D) traffic base, offset by a high degree of concentration in American Airlines (B+/Stable) and some connecting traffic exposure. The rating also reflects PHL's recently adopted strong residual airline agreement that provides full recovery of operating expenses and debt service costs while preserving relatively competitive airline cost level compared to many large-hub peers, as well as its stable coverage metric and building liquidity levels.

Fitch assessed the potential impact of all the prospective future debt to support the \$1.8 billion capital program, which has strong signatory airline support and is estimated to include around \$770 million in future borrowings. Under the Fitch rating case, leverage will only rise nominally to about 7.5x from under the current 5x level, which is well within the 9x rating sensitivity for negative rating action.

KEY RATING DRIVERS

Revenue Risk - Volume - Stronger

Large Market with Connecting Exposure: PHL's service area is the large and stable Philadelphia metropolitan statistical area (MSA), which now provides over 14 million O&D

enplanements annually. PHL has moderate connecting traffic exposure of about 25% of total enplanements. It is also a leading connecting hub for American Airlines, with transatlantic gateway operations, resulting in a sizable carrier concentration of around 60%.

Service reduction risk is mitigated by American's long-standing presence at the airport. Airline costs are increasing as the capital plan moves forward but remain competitive for a large-hub airport.

Revenue Risk - Price - Stronger

Strong Cost Recovery Rate Setting: The airport's Airline Use Agreement (AUA) runs through 2026, with two one-year renewal options. It provides pre-approval for new capital funding in support of operations at PHL, protective cost recovery rate setting terms with signatory carriers while enhancing PHL's retention of more robust cash reserves, and the set aside of additional reserve funding, which Fitch views positively, given the airport's sizable capital program.

Infrastructure Dev. & Renewal - Midrange

Expanded Capex Plan with Borrowings: The airport's multi-year capital development program (CDP) is approximately \$1.8 billion and focuses primarily on repair projects on the airfield, terminal, taxiways, and in security and technology. The capital plan is well underway with positive progression. PHL plans to fund most of the CDP with proceeds from existing bonds and expected issuance of additional long-term debt. The remainder will be funded from PFC's and grants as well as a small amount of operating cash. The CDP projects and funding sources are subject to change based on the operational needs of the airport, and any deferred projects may commence after the projection period.

Debt Structure - 1 - Stronger

Conservative Debt Structural Terms: PHL benefits from senior lien, fully amortizing, fixed-rate debt in addition to access to capital funding through an authorized \$500 million CP program. Fitch views the structural features as adequate and protective to bondholders, with fully cash-funded debt reserves at maximum annual debt service (MADS) balanced with permissive rate covenants. Fitch expects debt service obligations to rise above historical levels over the intermediate term with increases from additional borrowings to support the CDP.

Financial Profile

The residual airline agreement provides for stable cashflow-only debt service coverage levels (excluding fund balances) while still improving liquidity to around 600 days cash in recent years. Still, the airport has limits to its ability to fund its capital plan without resulting in increases to the airline rate base. Fitch's conservative rating case expects leverage to modestly increase from the current levels averaging around 5.2x through 2031 when considering all potential debt borrowings for the capex plan.

PEER GROUP

Fitch-rated peers include Miami (A+/Stable) and Charlotte (AA-/Stable), both of which serve as hubs for American Airlines and exhibit carrier concentration and connecting traffic exposure. Miami operates under a full residual cost recovery agreement with its signatory airlines, while Charlotte applies a hybrid methodology. Despite Charlotte's higher exposure to American Airlines' hubbing operations, its higher rating reflects its stronger liquidity and debt service coverage, significantly lower cost per enplanement (CPE) of around \$9, and leverage peaking at 6.7x. Miami's stronger franchise strength as a leading international gateway hub offsets its slightly higher leverage reaching 9x and CPE peaking at about \$25.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A material reduction in, or elimination of, American's hubbing activity, which reduces financial flexibility;
- Borrowings for the new capital plan that result in leverage metrics rising to and remaining at or above 9x on a sustained basis.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Unlikely in the near term, given the expected borrowings to support the capital program costs;
- Long-term, continued favorable trends in operational and financial performance resulting in Fitch rating case maximum leverage at or below 6x, inclusive of additional borrowings for the capital plan.

TRANSACTION SUMMARY

PHL intends to issue series 2025A and 2025B airport revenue and revenue refunding bonds in the amounts of approximately \$115.2 million and \$278.7 million, respectively, to refinance the outstanding balances of \$325 million of PHL's CP notes, which was drawn on for capital spending needs and to refund all or a portion of the outstanding 2015A bonds and fund capitalized interest on proposed bonds.

Amendments to the airport's general ordinance regarding the funding requirement for the debt service reserves will allow for at least \$9 million of released funds and still satisfy the funding requirements. The bonds will be structured as fixed-rate, fully amortizing debt, with principal amortization scheduled to commence on July 1, 2029, and final principal payment on July 1, 2055.

CREDIT UPDATE

Enplanements have demonstrated steady recovery, with fiscal 2024 enplanements reaching 14.7 million. Fiscal 2025 enplanements are projected to exceed 15 million, surpassing Fitch's prior base case expectations by a small margin but remaining below 2019 peak levels of 16.1 million.

The airport continues to enhance its services with American Airlines by adding new international and domestic routes. However, fiscal 2026 total enplanements may see nominal declines as low-cost carriers such as Spirit and Frontier intend to reduce seat capacity at PHL during the initial months of the fiscal period. These two airlines contributed less than 20% of the overall PHL passenger traffic. American Airlines constitutes approximately 63% market share.

Total airline revenues increased by around 25% in fiscal 2024, while non-airline revenues grew by 28%, primarily driven by concessions and increased payments from the airport's Chase Sapphire Lounge. As a result, overall operating revenues rose by 24% to over \$490 million, which is 5% above prior base case expectations. PHL also benefits from a new TNC agreement, which increases the pick-up/drop-off fee to at least \$4.35 from \$4.00 through June 30, 2026, with further incremental increases anticipated thereafter to further support non-aero revenue growth. Since 2024, PHL has used all of the federal grant awards from the pandemic era.

Operating expenses increased by 25% in fiscal 2024, which was 2% over prior base case expectations. This reflects the reinstatement of contractual services and personnel levels following reductions during the pandemic. Fitch-calculated debt service coverage (including

interdepartmental charges but excluding fund balances) remained relatively narrow at approximately 1.5x in fiscal 2024, while leverage was moderate for a large-hub facility at 3.8x.

The AUA covers a \$1.8 billion multi-year capital program and the pre-approval of \$935 million in new capital funding to support infrastructure needs, including terminal repairs and upgrades, cargo program projects, and initial funding for aviation-related development in PHL's economy lot, with \$588.8 million funded to date. Management anticipates coming to market every two to three years after the 2025 transaction, with approximately \$250 million-\$300 million new money transactions in 2027-2028, 2029-20230 and 2031-2032, to finance the capital program.

FINANCIAL ANALYSIS

Fitch's cases incorporate the 2025 issuance, as well as the expected issuances in 2028 and 2030.

Fitch's base case assumes a full recovery in enplanements to 2019 levels in fiscal 2030. CPE remains elevated, averaging \$19.63 from 2025 through 2031. Non-airline revenues move broadly in relation to passenger traffic trends. Airline revenues adjust to comply with the rate covenant. Operating expenses increase at a compound annual growth rate of 4.7% through 2031. Fitch-calculated debt service coverage (excluding fund balances) averages 1.6x through 2031. Leverage peaks at 6.4x before returning to 5.4x in fiscal 2031.

Fitch's rating case contemplates a hypothetical recessionary stress to enplanements in fiscal 2026, with O&D enplanements decreasing by 5% and connecting enplanements decreasing by 10%. This leads to a total 6.3% decline in enplanement levels, which is followed by a three-year recovery and a 1.5% growth thereafter. Airline revenues average slightly lower than base case levels to produce 1.4x coverage from 2025 to 2031. Non-airline revenues grow 50bp less than in the base case over the forecast period, consistent with the lower volume level assumed.

Operating expenses grow at 50bps more per year than the base case. Leverage is slightly above the base case levels, peaking at 7.5x in fiscal 2030 before falling to 6.5x in 2031. CPE averages \$20.11 from 2025-2031, slightly above the base case.

While the airport's enplanement recovery lags behind the national average, Fitch expects a continuation of the recovery, together with the PHL's residual airline lease and prudent expense management, to result in sound financial performance consistent with the current rating.

SECURITY

The bonds are secured by the net revenues generated through the operations of the airport. In addition, the airport may pledge certain passenger facility charge (PFC) revenues for eligible projects.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡			PRIOR ⚡
Philadelphia International Airport (PA)				
Philadelphia (PA) /Airport Revenues - First Lien/1 LT	LT	A+ Rating Outlook Stable	Affirmed	A+ Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

FITCH RATINGS ANALYSTS

Nikita Verma
Analyst
Primary Rating Analyst

+1 212 908 9168
nikita.verma@fitchratings.com
Fitch Ratings, Inc.
Hearst Tower 300 W. 57th Street New York, NY 10019

Seth Lehman

Senior Director
Secondary Rating Analyst
+1 212 908 0755
seth.lehman@fitchratings.com

Jeffrey Lack

Senior Director
Committee Chairperson
+1 312 368 3171
jeffrey.lack@fitchratings.com

MEDIA CONTACTS

Cristina Bermudez

New York
+1 212 612 7892
cristina.bermudez@thefitchgroup.com

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

[Transportation Infrastructure Rating Criteria \(pub. 07 Jan 2025\) \(including rating assumption sensitivity\)](#)

[Infrastructure & Project Finance Rating Criteria \(pub. 08 Jan 2025\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

GIG AST Model, v1.4.2 ([1](#))

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

[Endorsement Policy](#)

ENDORSEMENT STATUS

Philadelphia (PA)

EU Endorsed, UK Endorsed

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers.

Please read these limitations and disclaimers by following this link:

<https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at

<https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see [Best- and Worst-Case Measures](#) under the Rating Performance page on Fitch's website.

The information in this report is provided “as is” without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001. Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the “NRSRO”). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are

authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the “non-NRSROs”) and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

Copyright © 2025 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.

[READ LESS](#)

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

Fitch's solicitation status policy can be found at www.fitchratings.com/ethics.

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.