

**Rating Action: Moody's assigns A1 to Dallas-Fort Worth Int'l. Airport Board, TX Series 2020A Joint Refunding Bonds; affirms outstanding ratings; stable outlook**

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**Approximately \$4.96 billion of debt affected**

New York, June 24, 2020 -- Moody's Investors Service has assigned A1 to Dallas-Fort Worth International Airport Board, TX's (DFW) approximately \$437.8m Joint Revenue Refunding Bonds, Series 2020A. Concurrently, Moody's affirmed the A1 on \$4.964 billion rated parity joint revenue bonds and P-1 on the subordinate lien joint revenue commercial paper program. The outlook is stable.

**RATINGS RATIONALE**

The A1 is based on DFW's large, growing, and economically diversified service area that supports ample demand for origination and destination (O&D) travel. Moody's expects that DFW's passenger volumes will be severely impacted by a continuing aversion to travel following the outbreak of the coronavirus, but its recovery will be faster than most large hub peers given its function of connecting domestic travel and renewed importance of the hub-and-spoke model while system load factors are low. DFW has ample liquidity of 657 days, which was augmented by increased federal grant funding through the CARES Act, to manage through the near-term disruption in passenger levels.

High leverage and high exposure to American Airlines Group Inc. (B2 negative), Moody's lowest rating of the four largest US based airlines, constrain the rating. However, DFW has delayed the sizable Terminal F project given the uncertainty of passenger traffic demand, which reduces upward pressure on leverage. Additionally, DFW represents American's largest hub operation and Moody's expects it would continue to maintain its position in the event that American were to shrink its operations across its system.

**RATING OUTLOOK**

The stable outlook reflects Moody's expectations that DFW will see stronger than average recovery among US airports that limits the need to make significant draws on liquidity; increases in leverage caused by debt issuance will be delayed until travel demand forecasts are more stable; and internal liquidity will remain strong enough to address slower recovery scenarios.

**FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS**

**For Revenue Bonds**

- A long-term airport lease that provides for recovery of costs for a potential Terminal F while maintaining strong net revenue DSCR and liquidity
- Complete design and cost certainty for both the Terminal F and Terminal C renovation projects
- Significantly lower leverage metrics below \$300 debt per O&D enplanement could place upward pressure on the ratingFor Commercial Paper Program
- The P-1 rating is the highest short term rating and cannot be upgraded.

**FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS**

**For Revenue Bonds**

- Liquidity below 500 days cash on hand that is not caused by a timing delay on receipt of federal grants
- A significant change in the business strategy of AA
- Material debt issuance for expansion projects without a corresponding commitment from airlines through a

renewed airline lease

For Commercial Paper Program

- Significant deterioration of DFW's long term rating below A2.
- Failure to adhere to internal debt and treasury management policies
- Reduction in unrestricted liquidity

#### LEGAL SECURITY

First lien of pledged gross revenues from Dallas-Fort Worth International airport; debt service reserves are sized at average annual debt service and are fully funded with cash. The rate covenant requires gross revenues, which can include amounts transferred from the operations and maintenance (O&M) expense fund, to be sufficient to pay operation and maintenance expenses and 1.25 times aggregate debt service and current revenues not including transferred amounts must provide 1.0 times coverage of aggregate debt service.

Commercial paper notes are subordinate lien obligations payable from and secured solely by the pledged funds and pledged revenues of the Dallas Fort Worth International Airport, deposited to the subordinate lien debt service funds and from the proceeds from the sale of other notes, if any. Other than money and investments held from time to time by the issuing and paying agent in the note payment fund, the notes are not secured by a lien on or a security interest in any other funds or assets of the airport or the cities. DFW intends to maintain self-liquidity to pay notes in the event of a failed remarketing.

#### USE OF PROCEEDS

Proceeds of the bonds will be used for refunding escrow deposits and the cost of issuance for the new sale.

#### PROFILE

The Dallas-Fort Worth International Airport Board operates the Dallas/Fort Worth International Airport. The airport, opened in 1974, occupies approximately 17,200 acres in Dallas and Tarrant counties, and is located approximately 17 miles equidistant from the centers of the cities of Dallas and Fort Worth. The airport has seven air carrier runways, five north-south parallels and two northwest-southeast diagonals, ranging in length from 9,000 feet to 13,400 feet. Separations between the runways permit the simultaneous arrival of aircraft onto four runways in good visibility and onto three runways in virtually all weather conditions.

The Dallas-Fort Worth International Airport Board is comprised of 11 voting members, including seven from Dallas and four from Fort Worth. All members are appointed by respective city councils. There is also one non-voting member from the collective cities surrounding the airport. The operations of the airport are overseen by a Chief Executive Officer and the airport's staff of approximately 1,943 full time employees.

#### METHODOLOGY

The principal methodology used in the long-term ratings was Publicly Managed Airports and Related Issuers published in March 2019 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1140469](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1140469). The principal methodology used in short-term rating was Municipal Bonds and Commercial Paper Supported by a Borrower's Self-Liquidity Methodology published in October 2019 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1146778](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1146778). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of these methodologies.

#### REGULATORY DISCLOSURES

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 at: [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004)

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