S&P Global
Ratings

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Summary:

Dallas-Fort Worth Dallas-Fort Worth International Airport; Airport; CP

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Credit Profile		
US$400.280 mil jt rev rfdg bnds (non-AMT) (Dallas Fort Worth Intl Arpt) ser 2020A due 11/01/2035		
Long Term Rating	A/Negative	New
Dallas Fort Worth Intl Arpt CP		
Short Term Rating	A-1	Affirmed
Dallas Fort Worth, Texas		
Dallas Fort Worth Intl Arpt, Texas		
Dallas Fort Worth (Dallas Fort Worth Intl Arpt)		
Long Term Rating	A/Negative	Downgraded
Dallas Fort Worth (Dallas Fort Worth Intl Arpt)		
Long Term Rating	A/Negative	Downgraded

Rating Action

S&P Global Ratings lowered its long-term rating and underlying rating on Dallas-Fort Worth's airport joint revenue bonds, issued for Dallas-Fort Worth International Airport (DFW), to 'A' from 'A+'. The outlook remains negative. At the same time, S&P Global Ratings assigned its 'A' rating to the airport's $400.28 million series 2020A joint revenue refunding bonds (non-AMT). S&P Global Ratings also affirmed its 'A-1' short-term rating on the airport's commercial paper (CP) program, which reflects our opinion of DFW's credit quality and its provision of self-liquidity in the event of a failed CP rollover.

The series 2020A bond proceeds will be used to refund various series of bonds outstanding and subordinate CP notes for savings, and to pay costs of issuance.

The airport's gross revenues secure the bonds, although we evaluate DFW's financial performance on a net basis. Several reserve accounts, including a debt service reserve funded at average annual debt service and a three-month operating reserve, provide additional security.

DFW has approximately $6.1 billion in principal outstanding as of March 31, 2020, with a final maturity of Nov. 1, 2050. With the exception of the CP program, all airport debt is fixed-rate, with no derivative exposure. DFW has extended its current use-and-lease agreement by one year and is negotiating a new use-and-lease agreement and associated capital improvement program (CIP). The preliminary estimate for the CIP ranges from $3.0 billion-$3.5 billion for a new sixth terminal (F) and improvements to terminal C; and $3.0 billion to improve and maintain runways, bridges, roads, and utilities.

Credit overview

The rating action and negative outlook reflect our expectation that enplanements will be severely or materially depressed or unpredictable for 2020 and beyond due to COVID-19 outbreaks and associated impacts that we believe are outside of management's control. The severe drop in enplanements, in our view, has diminished DFW's overall credit quality, stressing its financial performance over the intermediate term. For additional information, see "Ratings Outlooks On U.S. Transportation Infrastructure Issuers Revised To Negative Due To COVID-19 Pandemic," published March 26, 2020, on RatingsDirect, and "Activity Estimates For U.S Transportation Infrastructure Show Public Transit And Airports Most Vulnerable To Near-Term Rating Pressure," published June 4, 2020.

The rating reflects a weakened market position assessment under our criteria, which results in a lower but still very strong enterprise risk profile. There has been no change to the financial risk profile, which we view as adequate. We apply a one-notch positive adjustment using a holistic analysis in arriving at the 'A' long-term rating and SPUR on the joint revenue bonds. The positive adjustment, in our view, better reflects the overall creditworthiness of the airport, the nation's fourth-largest based on total enplanements, and its very important role serving the overall U.S. market and international destinations. Other considerations include DFW's size and scope--which historically has resulted in consistently high activity levels and stable financial results--and its importance to American Airlines Inc., as the largest hub among the airline's expansive airport network.

Our financial risk profile assessment reflects DFW's adequate coverage (S&P Global Ratings-calculated) and debt capacity, and strong liquidity. Our assessment also considers the airport's large capital improvement program (CIP) needs, which require significant debt. We will monitor the impact of COVID-19 enplanement reductions on finances; however, we believe the liquidity position and CARES Act funding provide support to manage through the near-term activity decline. We could weaken DFW's financial risk profile if enplanements remain depressed for an extended period, pressuring financial metrics. See "U.S. Faces A Longer And Slower Climb From The Bottom," published June 25, 2020.

DFW's skilled management team has and is continuing to implement measures to reduce expenses, defer capital spending, and use other means (such as CARES Act funds) to manage through the financial impacts of COVID-19. We expect the airport will maintain financial metrics that, although lower than historical levels in the near term, will be consistent with the revised rating.

DFW airport enplaned about 36.6 million passengers in the fiscal year ending Sept. 30, 2019. Through February 29, 2020, airport passengers were up 9.1%. Starting in March, COVID-19 broadly affected enplanements throughout the country; based on Transportation Security Administration data, national enplanement activity was down approximately 90%-95% in late March and April. DFW airport is forecasting reductions in activity of 50%-70% for the last six months of fiscal 2020. Due to the challenges posed by the pandemic-induced recession and concerns of COVID-19 outbreaks and associated impacts, S&P Global Ratings believes activity levels could be unpredictable or materially depressed beyond 2020. DFW management responded to the activity declines with a variety of actions including reducing expenses, identified savings through available refundings, and deferring some capital projects. In addition, DFW airport expects to receive $299.2 million in CARES Act funds, and anticipates utilizing most available funds in the current fiscal year and the next fiscal year. DFW has historically maintained a strong liquidity position, with unrestricted cash of $963 million as of May 31. DFW projects that it will have $928 million as of fiscal year-end

2020 and $958 million at fiscal year-end 2021.

Key credit strengths, in our opinion, are DFW's:

- Relatively large and economically vibrant service area, which encompasses the Dallas-Fort Worth consolidated metropolitan statistical area with a large population base growing at a rate that is more than double the forecast national level;
- Favorable geographic location in the national air transportation system, airfield capacity, terminal facilities designed for efficient connecting traffic, and its critical role as the largest hub of American Airlines;
- Long record of maintaining high levels of unrestricted cash, with $990 million or 631 days' cash as of Sept. 30, 2019; and
- Experienced, proactive, and effective management team.

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

- Exposure to potentially prolonged weak or unpredictable enplanement levels due to COVID-19 outbreaks and lingering associated impacts (such as the pandemic-induced recession, shifting travel restrictions, stay-at-home and social distancing restrictions, or behavioral changes with respect to air travel), making effective financial budgeting and planning challenging;
- Hampered cash flow generation ability due to severe declines in enplanements related to factors outside of management's control, pressuring financial metrics;
- High airline concentration, with financially stressed American Airlines ('B-/Negative'), its largest carrier, accounting for approximately 85% of total passengers; and
- Relatively high debt levels with significant capital needs.

Environmental, social, and governance (ESG) factors

Our rating action incorporates our opinion regarding the health and safety risks posed by the COVID-19 pandemic, which we view as a social factor that is resulting in significant operating and financial pressures for the airport. We analyzed DFW's risks related to environmental and governance factors, and consider them to be in line with our view of the standard for the airport sector. We will continue to evaluate these risks as the situation evolves.

Negative Outlook

Downside scenario

We could lower the rating if we believe enplanement levels will remain materially depressed for a period longer than our current expectation, negatively affecting finances for an extended period of time.

Return to stable scenario

We could revise the outlook to stable in the next two years with improved clarity on the trajectory of the passenger recovery and when we believe DFW's ability to maintain financial metrics consistent with the current rating is sustainable.

Credit Opinion

We consider the flow of funds for DFW credit neutral. All gross revenues will be deposited into the operating revenue and expense fund. Every month, money will be transferred first to meet debt service requirements, then pay any administrative expenses related to parity credit agreements (if necessary), replenish the debt service reserve fund (if necessary), fund any required parity credit agreement obligations, and then pay subordinated indebtedness (including the CP). After this, funds pay operating and maintenance expenses, then fund the 90-day operations and maintenance reserve, and lastly pay any net revenue obligations and any credit agreement obligations that are on par. The remaining funds then go into the capital improvement fund.

The short-term rating on the CP reflects our opinion of DFW's credit quality and its provision of self-liquidity in the event of a failed CP rollover. As of May. 31, 2020, the airport held cash, money market funds, and fixed income assets totaling approximately $963 million that when discounted comprised approximately $867 million. The board has adopted a debt policy that will limit the amount of variable-rate debt including CP to a level that will not exceed 65% of the airport's total unrestricted cash and investments and any third-party liquidity agreements. In addition, the total principal having self-liquidity maturing within a five-day period may not exceed $150 million. Annually the board will request standby authorization from the cities of Dallas and Fort Worth to issue refunding bonds in an amount sufficient to refund all anticipated CP notes outstanding. S&P Global Ratings will monitor the sufficiency and the liquidity of assets identified for self-liquidity on a monthly basis.

Related Research

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

Ratings Detail (As Of June 26, 2020)		
Dallas Fort Worth Intl Arpt		
Long Term Rating	A/Negative	Downgraded
Dallas Fort Worth Intl Arpt (AGM) (SEC MKT)		
Unenhanced Rating	A(SPUR)/Negative	Downgraded
Dallas Fort Worth Intl Arpt (BAM)		
Unenhanced Rating	A(SPUR)/Negative	Downgraded
Dallas Fort Worth, Texas		
Dallas Fort Worth Intl Arpt, Texas		
Dallas Fort Worth (Dallas Fort Worth Intl Arpt) (wrap of insured) (AMBAC) (AGM) (SEC MKT)		
Unenhanced Rating	A(SPUR)/Negative	Downgraded
Dallas Fort Worth (Dallas Fort Worth Intl Arpt) (AGM)		
Unenhanced Rating	A(SPUR)/Negative	Downgraded
Dallas Fort Worth (Dallas Fort Worth Intl Arpt) (AMBAC)		
Unenhanced Rating	A(SPUR)/Negative	Downgraded
Dallas Fort Worth (Dallas Fort Worth Intl Arpt) (BHAC) (MBIA)		
Unenhanced Rating	A(SPUR)/Negative	Downgraded

Ratings Detail (As Of June 26, 2020) (cont.)		
Dallas Fort Worth (Dallas Fort Worth Intl Arpt) (FGIC) (National)		
Unenhanced Rating	A(SPUR)/Negative	Downgraded
Dallas Fort Worth (Dallas Fort Worth Intl Arpt) (MBIA) (ASSURED GTY)		
Unenhanced Rating	A(SPUR)/Negative	Downgraded
Dallas Fort Worth (Dallas Fort Worth Intl Arpt) (MBIA) (National)		
Unenhanced Rating	A(SPUR)/Negative	Downgraded
Dallas Fort Worth (DFW Intl Arpt) Arpt		
Long Term Rating	A/Negative	Downgraded

Many issues are enhanced by bond insurance.