
U.S. Airports Seek Fiscal Band-Aid from Coronavirus with Bond Refundings.

CHICAGO, Sept 23 (Reuters) – U.S. airports from coast to coast are refinancing billions of dollars of old debt to take advantage of historically low interest rates and attract yield-hungry investors to gain financial breathing room in their coronavirus-hit budgets.

Savings achieved from the refinancings could also help cash-strapped airlines that largely fund airport operations.

On Thursday, Chicago's O'Hare International Airport is scheduled to refinance more than $1 billion of bonds to achieve a projected $175 million present value savings to offset anticipated revenue losses in 2021.

Airports in cities including Dallas, Houston, and Los Angeles have accessed the U.S. municipal bond market in recent months, while deals are coming from Philadelphia, Atlanta and Denver, which plans to refinance up to $1.9 billion of bonds in October.

Passenger traffic is projected to drop 45% this year and airport revenue losses are expected to total $23.3 billion, according to Airports Council International-North America.

Airports are seeking an additional $13 billion federal bailout after receiving $10 billion in aid so far.

Brian Battle, director of trading at Performance Trust Capital Partners in Chicago, said investors willing to take the risk that major airports like O'Hare will recover are grabbing the heftier yields.

"It's a great way to pick up yield in a world where there isn't any for a measured risk," he said.

For example, Dallas Fort Worth International Airport's (DFW) long-term tax-exempt bonds trade at spreads about 70 basis points over Municipal Market Data's benchmark triple-A yield scale, while its long-term taxable bonds trade at spreads around 150 basis points over comparable U.S. Treasuries, a Citi Research report noted this week.

Investors snapped up $2 billion of DFW's refunding bonds this summer, with a nearly $1.2 billion taxable deal that attracted some overseas buyers oversubscribed 8.3 times, according to Christopher Poinsatte, the airport's chief financial officer.

Ahead of the pricings, which resulted in $30 million to $60 million in annual savings over 15 years, Poinsatte said he held as many as 30 one-on-one calls with potential investors, while the airport released 12 pages of COVID-19-related disclosures.

"The benefit of this really flows through to the airlines because we'll be able to keep their rates lower," he said.

Colin Bando, a credit analyst at T. Rowe Price in Baltimore, said airports were in "very, very strong credit shape" heading into the pandemic and most can survive with cash on hand and the money they received under the federal CARES Act, which provided coronavirus relief.

"While we're still worried about the sector, we think that they'll get through this just fine," he said.

Still, S&P Global Ratings, which has already cut credit ratings on various debt at several airports, warned in August it could downgrade even more bonds, citing its belief the pandemic will result in "materially depressed, unpredictable or anemic" passenger volume for an extended period.

By Karen Pierog

(Reporting By Karen Pierog; Editing by Alden Bentley and Jonathan Oatis)

SEPTEMBER 23, 2020