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S&P U.S. Transportation Infrastructure Sector Update And Medians: U.S. Airport Sector View Is Now Positive

Key Takeaways

- We are revising our U.S. airport sector view to positive from stable based on improving aviation industry conditions. This improvement is reflected in the strong rebound of U.S. domestic passengers in recent months, stabilization of airline credit conditions, massive federal assistance provided to the sector, and recovery in airports' revenue-generating capacity and rate-setting flexibility.
- Our airport sector median analysis and the modest degree of credit erosion across the sector highlight the significance of \$15 billion-\$20 billion in special federal COVID-19 relief grants, which operators used to pay debt service expenses and operating costs while preserving unrestricted cash reserves comparable with pre-pandemic levels. Separately, the recent passage of the \$1.2 trillion Infrastructure Investment and Jobs Act will provide another \$25 billion for the airport sector to fund capital projects over the next five years.
- Our analysis of 2020 airport medians revealed the effects of airport management actions taken to limit the financial implications of the precipitous drop in passenger traffic, with median debt service coverage (DSC; S&P Global Ratings-calculated) declining to an adequate 1.1x in 2020 from a strong 1.6x in 2019, while median liquidity levels fell by less than 6% to 489 days and median debt outstanding increased 21% to approximately \$840 million.
- We expect the uneven enplanement recovery led by the domestic and leisure market segments will smooth out as business and international travel returns, aided by the lifting of certain travel restrictions on China, India, and much of Europe effective Nov. 8, 2021.
- Airports and related special facility issuers that demonstrate recoveries generally better than our activity estimates or demand levels sufficient to produce financial metrics we consider consistent with a higher rating on a sustainable basis are more likely to receive upgrades in the near term.
- We believe the experience and knowledge gained from handling the complex set of challenges from the severity of the COVID-19 pandemic will better prepare airport management teams and various stakeholders in addressing future shocks.

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