MOODY'S RATINGS

Rating Action: Moody's Ratings assigns A2 to Columbus Regional Airport Authority, OH's Airport Revenue Bonds, Series 2025A (AMT) and Series 2025B (Non-AMT); outlook stable

10 Jan 2025

New York, January 10, 2025 -- Moody's Ratings (Moody's) has assigned an A2 rating to Columbus Regional Airport Authority, OH's anticipated Airport Revenue Bonds, Series 2025A (AMT) and Airport Revenue Bonds, Series 2025B (Non-AMT) for approximately $1,056 million. The outlook is stable.

RATINGS RATIONALE

The A2 rating assigned to the Columbus Regional Airport Authority's (CRAA or Authority) Airport Revenue Bonds reflects the strong demand for air travel at the John Glenn Columbus International Airport, underpinned by a large and diverse service area. At the same time, the rating considers the airport's proximity to nearby airports in Cincinnati and Cleveland.

Today's rating action acknowledges that CRAA currently exhibits very robust credit metrics due to its low leverage, but also that the Authority will undergo a significant change in its credit profile after the planned issuance of about $2 billion of debt between 2025 and 2028. CRAA is currently planning the New Midfield Terminal Project (NMTP), which involves the construction of a new terminal and will cost approximately $2 billion, 84% of which will be financed with new debt in the next three years. As a result of this additional debt, in 2029 CRAA will show materially weakened credit metrics, with adjusted debt per O&D enplaned passenger and Moody's net revenue DSCR of approximately $450 and 1.1x, respectively. The expected debt issuance will place CRAA among one of the most levered airport obligors in the A2 rating category.

Nevertheless, the rating recognizes the importance of the NMTP given the need to update the current facilities and that the construction of the new terminal will not cause a meaningful disruption in the airport's operations. Also, we are aware that the Authority's management has built several derisking strategies into the project, such as the use of a Guaranteed Maximum Price contract and accumulation of cash reserves for about $190 million to support the project. Notably, currently 66% of project costs are under GMP contracts and by July 2025, management expects that all construction packages will be under contract, significantly reducing the risk of cost overruns that may necessitate more debt than planned. The rating incorporates that liquidity will decline once the NMTP is completed, but will still remain strong at approximately 600 days cash on hand.

Moreover, the assigned rating takes into account the support from the airlines for the NMTP through the concurrent signing of the amendment of the current airline agreement and the new airline agreement, which will be effective in 2029 once the new terminal is completed. The new airline agreement, valid until 2033 and with an option to extend to 2038, will change the rate making methodology to a residual approach, from the current compensatory. Each signatory airline has approved the new terminal program in scope and cost and the agreement includes a management incentive fee to reward management for cost reductions in the project. Cost per enplanement will increase substantially to approximately $25 in 2029 from $8.85 in 2023, but will remain stable around those levels.

RATING OUTLOOK

The stable outlook reflects the long-term airline agreement underpinning cost recovery and supporting the capital plan and our expectation of a prudent management of the New Midfield Terminal Project, including debt issuance capped at the current forecasted levels.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Timely and on budget completion of the capital plan with airline costs in line with expected levels, as the rating is unlikely to be upgraded until after the new terminal is completed (substantial completion expected in January 2029).

- Adjusted debt per O&D enplaned passenger below $400 on a sustained basis

- Liquidity above 600 days cash on hand once the new terminal is complete

- Strengthening of competitive position compared to nearby Cleveland and Cincinnati airports

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Significant cost overruns or schedule delays

- Once the residual airline agreement is in place, DSCR below 1.10x on a sustained basis

- Adjusted debt per O&D enplaned passenger above $700 on a sustained basis

- Liquidity below 365 days cash on hand once the new terminal is complete

LEGAL SECURITY

The Series 2025 Bonds are special obligations of the Authority payable solely from and secured by a pledge of Net Revenues and from such other moneys as may be available under the Indenture for such purpose, on a parity with all other Bonds (as defined in the Master Indenture) issued and outstanding under the Indenture. Under the Indenture, the definition of Bonds does not include Subordinate Obligations (as defined in the Master Indenture). The bonds are secured by a pledge of net revenues of airport facilities which include Rickenbacker International Airport and Bolton Field. The authority covenants to set rates such that the net revenues together with the amounts in the Coverage Account (up to 25% of annual debt service) is equal to 125% of the required total debt service for that year and 100% of the annual debt service with respect to the subordinate obligations. The Series 2025 Bonds will be secured by a common reserve in an amount equal to the lesser of (a) Maximum Aggregate Annual Debt Service (MAADS), (b) 10% of the original principal amount of all outstanding bonds, less the amount of original issue discount if such original issue discount exceeded 2% of such bonds at the time of their original issuance, and (c) 125% of the average aggregate annual debt service. The Authority may fund all or a portion of the Reserve Requirement with a Debt Service Reserve Fund Surety Policy. The Authority will be able to issue additional bonds as long as either a) the net revenues together with the amounts in the Coverage Account for the last audited fiscal year or any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance were at least equal to 125% of MAADS (including the proposed notes) and 100% of the MAADS of the subordinate obligations, or b) the projected net revenues will satisfy the rate covenant for the later of: each of the five years following additional debt issuance or three years beyond the capitalized interest period.

USE OF PROCEEDS

Proceeds of the Series 2025 Bonds will be used to pay a portion of the costs of the Authority's New Midfield Terminal Project at John Glenn Columbus International Airport, retire a portion of the outstanding principal balance of the 2024 Credit Facility Bonds, fund capitalized interest on the Series 2025 Bonds, fund the Common Debt Service Reserve Account and pay the costs of issuance of the Series 2025 Bonds.

PROFILE

Columbus Regional Airport Authority is a port authority and political subdivision of the State of Ohio, governed by a 9-member board of directors. The Authority owns and operates three airports - John Glenn Columbus International Airport (CMH), Bolton Field (TZR) and Rickenbacker International Airport (LCK). The Authority derives most of its revenue from John Glenn Columbus International Airport. CMH serves as the central Ohio region's primary commercial airport. CMH is classified as a medium hub airport by the Federal Aviation Administration, which ranked the airport 50th amongst all U.S. airports in 2023 in terms of total enplaned passengers. Bolton Field is a general aviation airport and Rickenbacker is largely a cargo and military facility with limited commercial air service.

METHODOLOGY

The principal methodology used in these ratings was Publicly Managed Airports and Related Issuers published in February 2023 and available at https://ratings.moodys.com/rmc-documents/398689 . Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

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 on https://ratings.moodys.com/rating-definitions .

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