FitchRatings

Fitch Revises Greater Orlando Aviation Authority, FL's Outlook to Positive; Affirms Ratings

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Fitch Ratings - New York - 16 Nov 2023: Fitch Ratings has affirmed the 'AA-' rating on Greater Orlando Aviation Authority (GOAA, or the authority), Florida's $1.8 billion of outstanding senior lien airport facilities revenue bonds and the 'A+' rating on approximately $867 million in outstanding subordinate lien airport facilities revenue bonds. The Rating Outlook has been revised to Positive from Stable.

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
Greater Orlando Aviation Authority (FL)				
Greater Orlando Aviation Authority (FL) /Airport Revenues - First Lien/1 LT	LT	AA-	Affirmed	AA-
Greater Orlando Aviation Authority (FL) /Airport Revenues - Second Lien/1 LT	LT	A+	Affirmed	A+

RATING RATIONALE

The Positive Outlook reflects the airport's ongoing positive trends in passenger traffic and financial performance, with traffic well above pre-pandemic levels and in excess of Fitch's prior base case expectations. Forward-looking leverage remains strongly positioned for the 'AA' rating category for both liens including anticipated capital-related debt borrowings through 2026; however, the authority has a history of capital plan scope increases to accommodate the above-average volume growth in the Orlando market. Further clarity on future borrowing needs within the next one-to-two years leading to stabilized leverage below 7x could lead to an upgrade. A successor rate agreement with potentially more favorable cost recovery terms may also support positive rating migration.

The ratings reflect the airport's leading origination and destination (O&D) market position and diverse carrier mix. GOAA benefits from a rate-by-resolution airline agreement, which provides competitive airline costs and strong cost recovery supplemented by passenger facility charges (PFCs) and robust non-airline revenue streams. Fitch also views positively the authority's proactive capital management and maintenance of its strong liquidity position. Leverage will trend upward in conjunction with the sizable $5.1 billion capital improvement program (CIP) and associated borrowings, but is expected to stabilize at a level consistent with the 'AA' rating category. The subordinate lien's lower rating reflects its junior claim to airport revenues coupled with lower covenant levels.

KEY RATING DRIVERS

Revenue Risk - Volume - Stronger

Stable Traffic, Diverse Carriers: The airport serves large and growing O&D enplanement base anchored by encompassing Florida's premier leisure market. The airport has a relatively balanced traffic profile despite visitors comprising around two-thirds of O&D traffic, with a third of traffic supported by residents in the Orlando MSA. Passenger traffic trends have been favorable in recent years, with enplanement growth underpinned by strong market fundamentals and robust tourism performance. Well-diversified market share exists with Southwest Airlines consistently holding the largest share of enplanements over the past decade at less than one-quarter market share. Orlando has historically maintained a low and competitive cost per enplanement (CPE), which is projected to remain competitive for a large-hub airport despite pressures from additional borrowings as capital improvements move forward.