

**Rating Action: Moody's revises to stable outlook of Manchester (City of) NH Airport Enterprise, ratings affirmed**

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New York, February 23, 2018 -- Moody's Investors Service, (Moody's) has affirmed the Baa1 rating on the Manchester (City of) NH Airport Enterprise's revenue bonds. The outlook has been revised to stable from negative.

**RATINGS RATIONALE**

The revision of the outlook to stable reflects the stabilization of total enplanements that will allow the Manchester-Boston Regional Airport to maintain financial metrics consistent with past performance without rate increases that would further erode the competitive position of the airport.

The Baa1 rating considers the airport's weakened market position in the greater Boston metropolitan area as demonstrated by the persistent loss of enplanements to nearby Boston's Logan International Airport (Massachusetts Port Authority, Aa2 stable). The continued operational losses have resulted in the airport becoming more reliant on airline revenues, with cost per enplanement (CPE) at \$13.16 in fiscal 2017 (ended June 30), more than double the amount in fiscal 2008. Although the airport's CPE remains lower than Boston Logan's, Moody's thinks that the relatively high cost structure for a largely domestic airport limits the ability of the airport to compete with nearby airports and attract new service from airlines. However, demand for service at the airport is supported by a strong local service area which benefits from a highly educated population and concentration in high-income employment, as well as good growth prospects absent another recession. The rating also considers the airport's weak financial metrics, including high leverage and narrow debt service coverage ratio by net revenues, which we expect will remain constrained. Additionally, the airport is heavily reliant on Southwest Airlines, which accounted for 58% of total enplanements in fiscal 2017. The rating considers the airport's limited capital needs and no plans for additional debt, which Moody's expects will support the airport in maintaining its current financial position if future operational losses were to occur.

**RATING OUTLOOK**

The stable outlook is based on Moody's expectation of that enplanements will remain flat to slightly positive at the airport and will support financial metrics at current levels.

**FACTORS THAT COULD LEAD TO AN UPGRADE**

- A sustained period of rising enplanements
- Further diversification of airline service
- Net revenue debt service coverage ratios (DSCRs) as calculated by Moody's above 1.3x

**FACTORS THAT COULD LEAD TO A DOWNGRADE**

- Deteriorating financial position due to sustained enplanement declines, including DSCRs by net revenues being below 1.1x
- Weakened competitive position resulting in airlines reducing service
- Loss of a signatory airline
- Deterioration of liquidity position with days cash on hand below 300

**LEGAL SECURITY**

The bonds are secured by a pledge of the airport's net revenues, which does not include passenger facility charges (PFCs) or grant receipts. A debt service reserve fund has been established, which is cash funded at the lesser of 10% of bond proceeds, 125% average annual debt service or maximum annual debt service. The

series 2013, 2014 and 2015 revenue bonds, representing approximately 15.5% of the enterprise's debt, are revenue bond bank loans placed directly with banks and do not have a debt service reserve.

The city covenants to set rates to provide coverage of debt service of at least 1.25x inclusive of coverage account balance but limited to the lesser of the amount held in coverage account or 25% of the required debt service in that year. Additional bonds tests include both a look-forward and look-back test of 1.25x.

## PROFILE

Manchester-Boston Regional Airport (MHT), located in the Town of Londonderry, NH approximately six miles south of downtown Manchester, is the largest commercial airport in northern New England and is approximately 58 miles northwest of Boston, MA. MHT is an origin and destination airport and the FAA classifies it as a small-hub. The terminal building is a 330,000-square-foot facility with 15 aircraft parking positions on 14 gates equipped with jet loading bridges and 2 runways. The airport has approximately 11,000 public parking spaces available for use and around 800 spaces for rental car services. Additionally, MHT is the third largest cargo facility in New England.

## METHODOLOGY

The principal methodology used in this rating was Publicly Managed Airports and Related Issuers published in October 2017. Please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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