

COVID-19 Recovery: European Airports Face More Woes Ahead

Infrastructure Ratings

July 27, 2020

Click [here](#) for the webcast replay



S&P Global
Ratings

Key Takeaways

- European airports face a steep and protracted recovery in air passenger traffic from the COVID-19 fallout. The shape, timing and pace of recovery is still uncertain.
- Credit ratios have deteriorated sharply despite a €10 billion reduction in investments over 2020-2023 and dividend cancellation.
- Accelerated investment in innovative technologies to deal with COVID-19 could lead to permanent cost savings.
- Recovery estimates vary by airport, with domestic and leisure travel more favorable and hubs traffic to revive quicker in the medium term, while business travel will lag behind.

Recent Rating Actions On European Airports

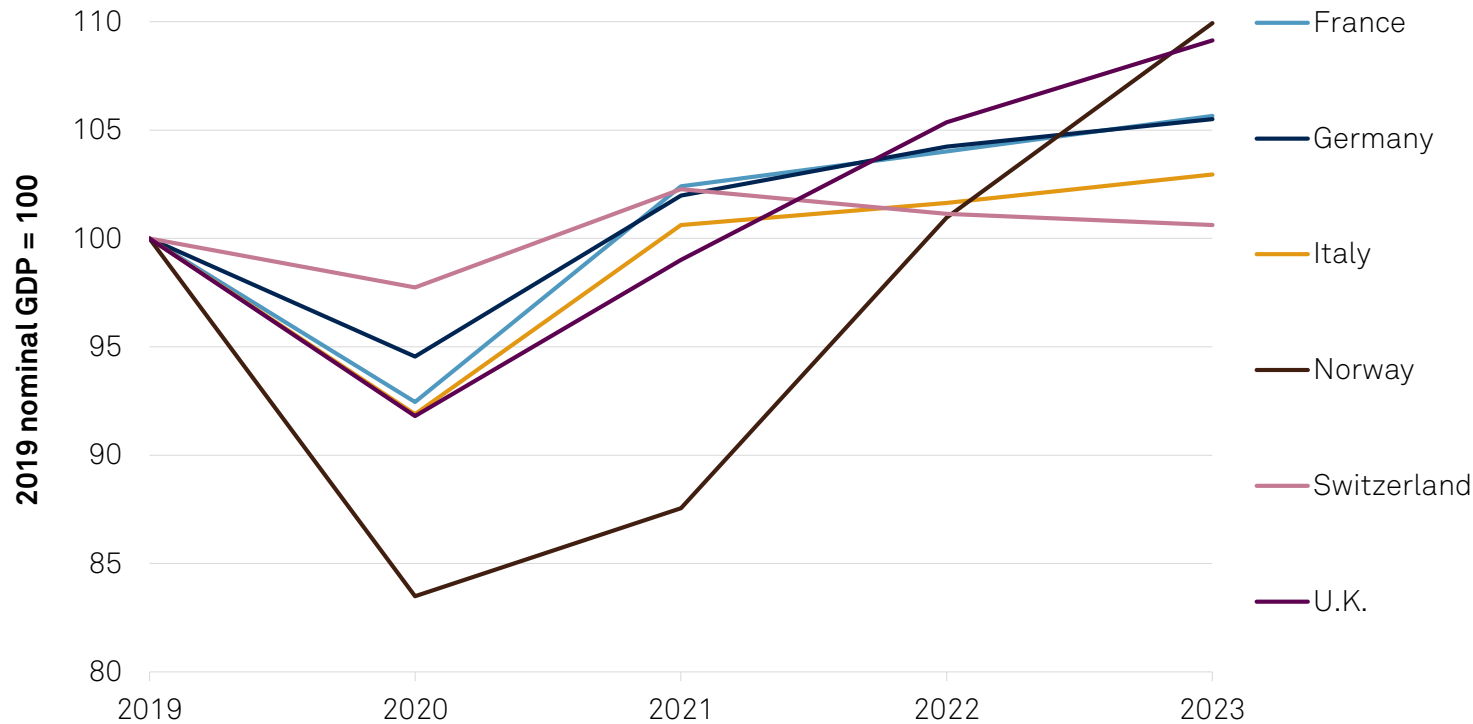
- These actions follow the first round of airport reviews at the end of March 2020.
- Impact depends on entity-specific features: previous rating headroom, financial flexibility, liquidity cushion, revenue structure, country impact and mitigating measures. For more details, see related research.

	To	From
Heathrow Funding Ltd.	Class A: BBB+ / Watch Negative Class B: BBB- / Watch Negative	Class A: BBB+ / Watch Negative Class B: BBB- / Watch Negative
Aéroports de Paris SA	A / Negative	A / Negative
Royal Schiphol Group B.V.	A / Negative / A-1	A+ / Watch Negative / A-1
Aeroporti di Roma S.p.A.	BB+ / Watch Negative	BB+ / Watch Negative
Flughafen Zürich AG	A+ / Negative	AA- / Watch Negative
Gatwick Funding Ltd.	Class A: BBB / Watch Negative	Class A: BBB / Negative
daa Plc	A - / Negative / A-2	A / Watch Negative / A-1
Avinor AS	A / Negative / A-1	A+ / Watch Negative / A-1
NATS (En Route) Plc	A+ / Negative	A+ / Negative

Source: S&P Global Ratings.

EMEA | S&P Global Ratings Economic Outlook

European Countries To Recover To 2019 GDP Levels By 2023

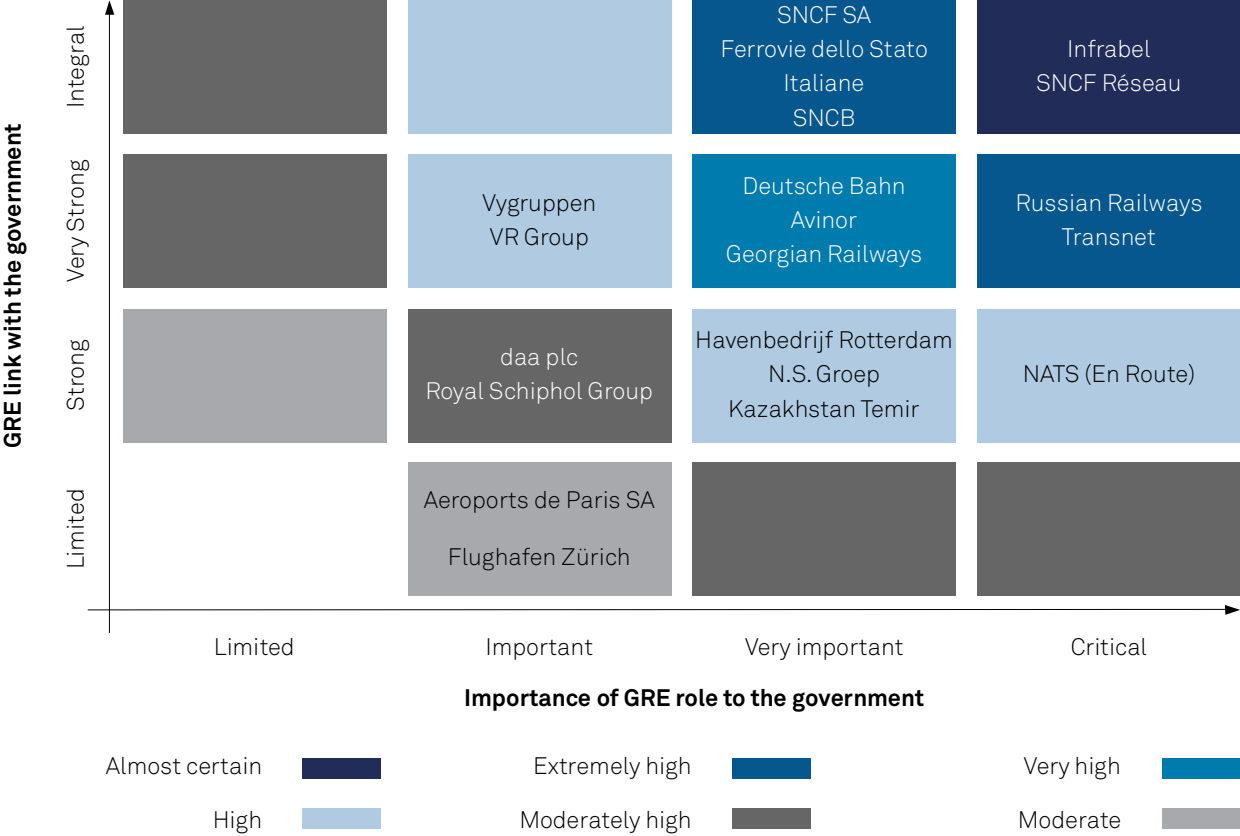


Source: S&P Global Ratings.

- We expect GDP to fall by about 7.8% in the eurozone and 8.1% in the U.K. this year, with a gradual rebound of 5.5% and 6.5% in 2021.
- We assume a bumpy transition to a post-COVID-19 “new normal” that will only take shape once a vaccine is widely available, which we believe may not occur until the second half of 2021. As lockdowns are loosened across the continent, the strength and timing of recovery will vary substantially by country and sector.
- Central banks and governments have deployed large fiscal and monetary policy packages to help workers and companies bridge the gap to recovery.

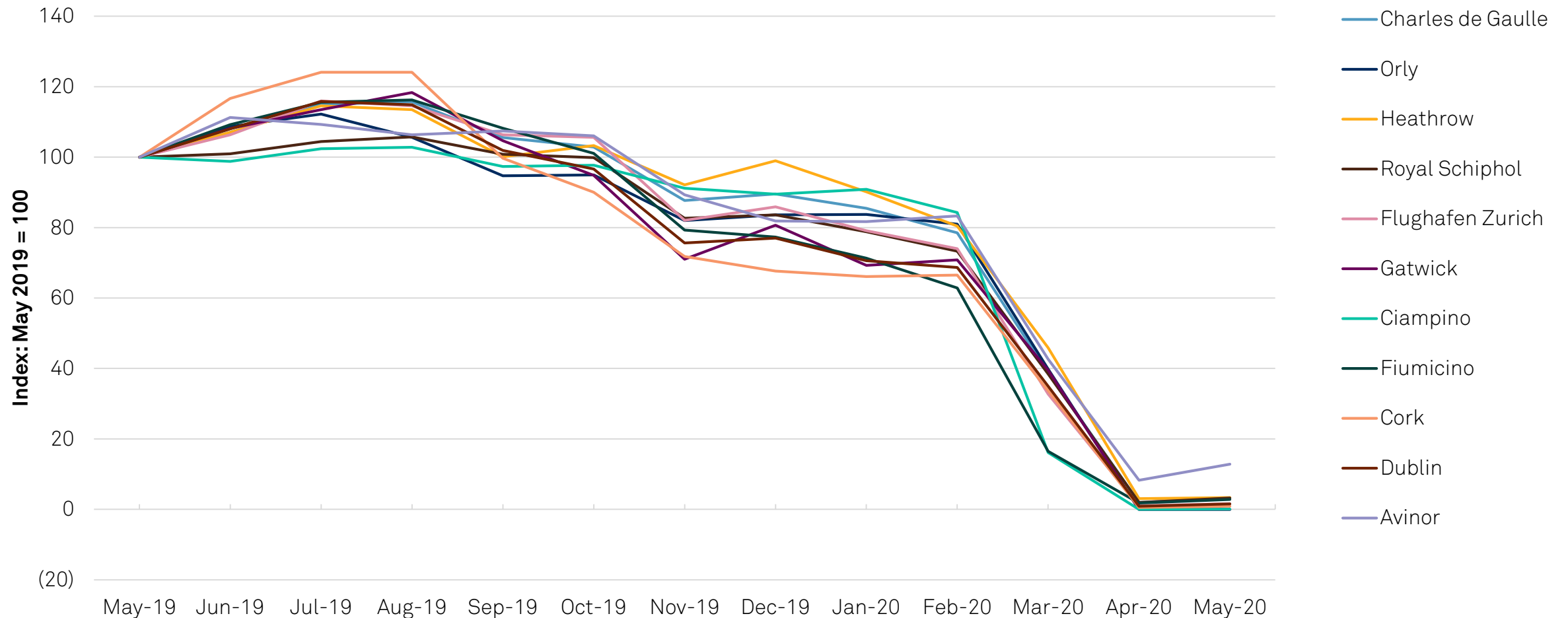
Few Airports Have Received Direct State Aid So Far

Likelihood of Extraordinary State Support For Government-Related Entities



GRE--Government-related entity. Source: S&P Global Ratings.

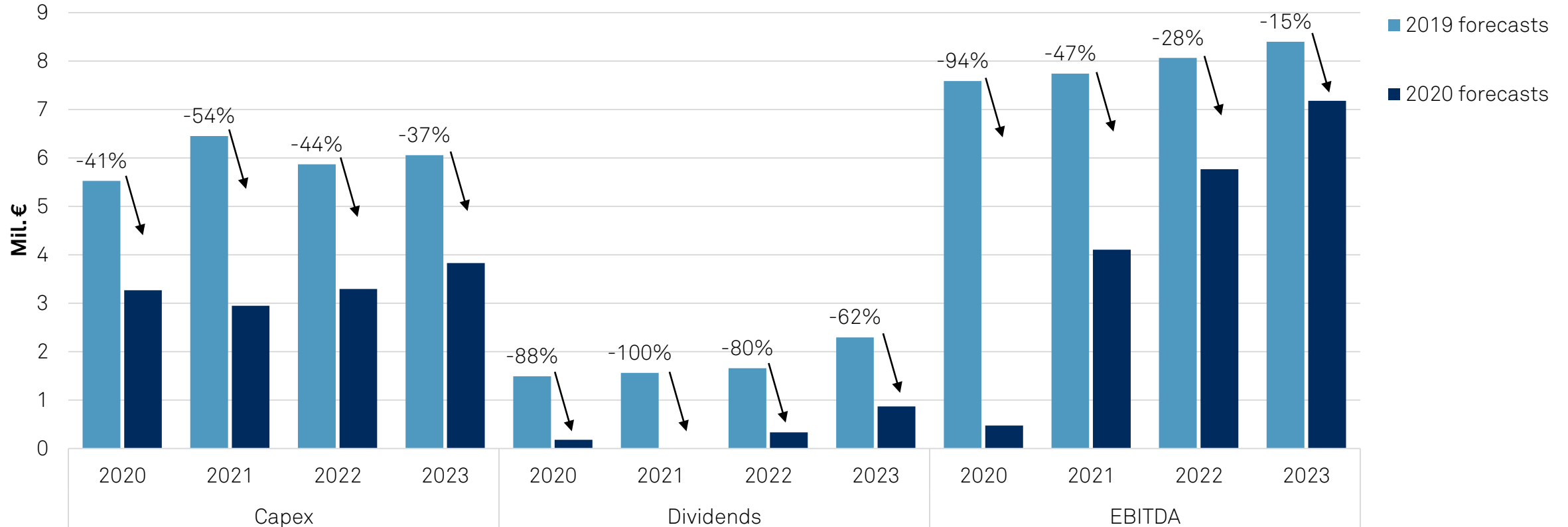
Air Passenger Numbers Collapsed During COVID-19 Lockdowns



Source: Company's websites. Based on rated European airports.

Airports Cutting CAPEX Due To Low-for-Longer Passenger Scenario

Cash Burn For European Airports Current versus pre-COVID-19 forecasts



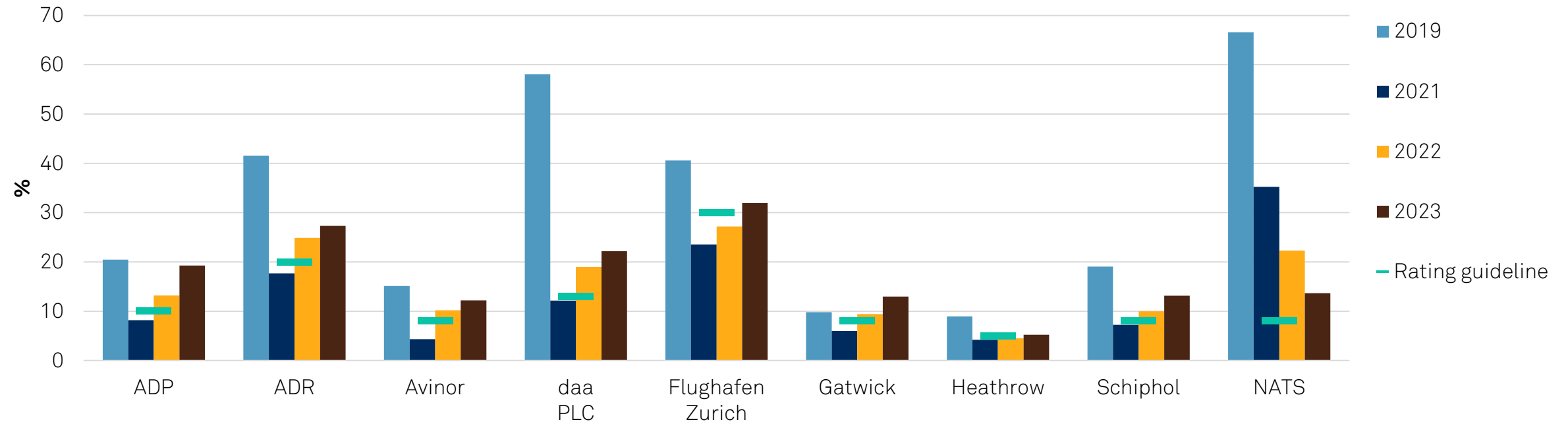
Capex--Capital expenditure. Source: S&P Global Ratings.

Credit Ratios Deteriorated Despite Mitigating Actions

- 2020 data is not representative for long-term passenger trends.
- We focus on average ratios in 2021 and 2022.
- Risk of execution of mitigating actions.

FFO-To-Debt

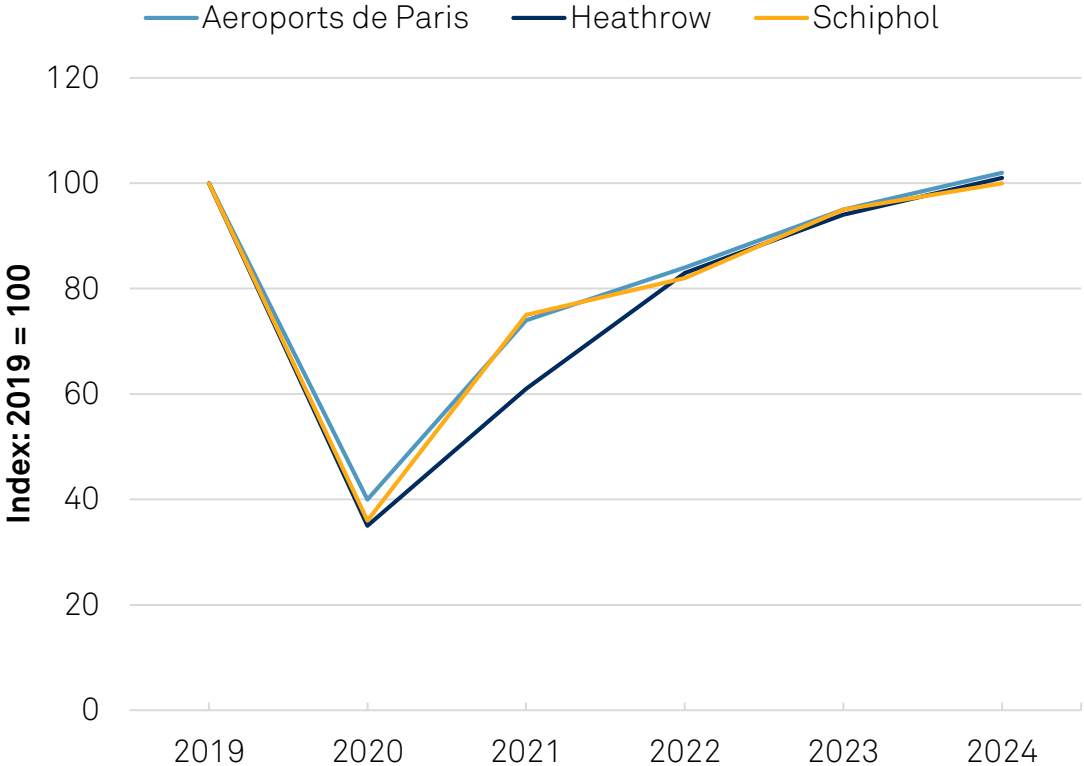
Peer comparison



FFO--Funds from operations. ADP—Aeroports de Paris. ADR—Aeroporti de Roma. Schiphol—Royal Schiphol Group. NATS—NATS (En Route). Source: S&P Global Ratings.

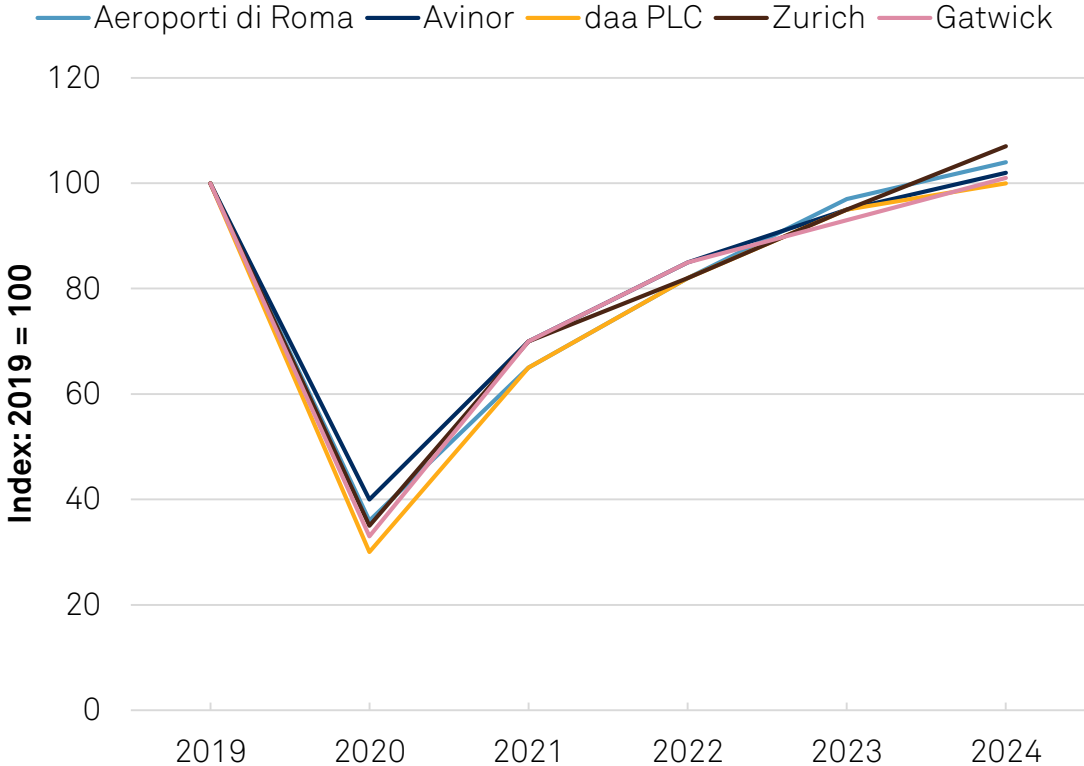
We Foresee A Long Haul To Traffic Recovery

Hub Airports



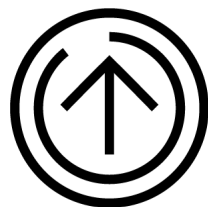
Source: S&P Global Ratings.

Non-Hub Airports

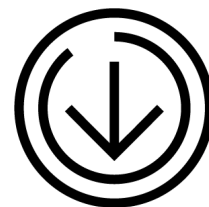


Source: S&P Global Ratings.

Key Drivers Of Recovery



- Domestic and short haul
- Leisure and visiting friends and family
- Hub airports



- International and long haul
- Business travel
- Regional airports

European Airports Key Operating Statistics

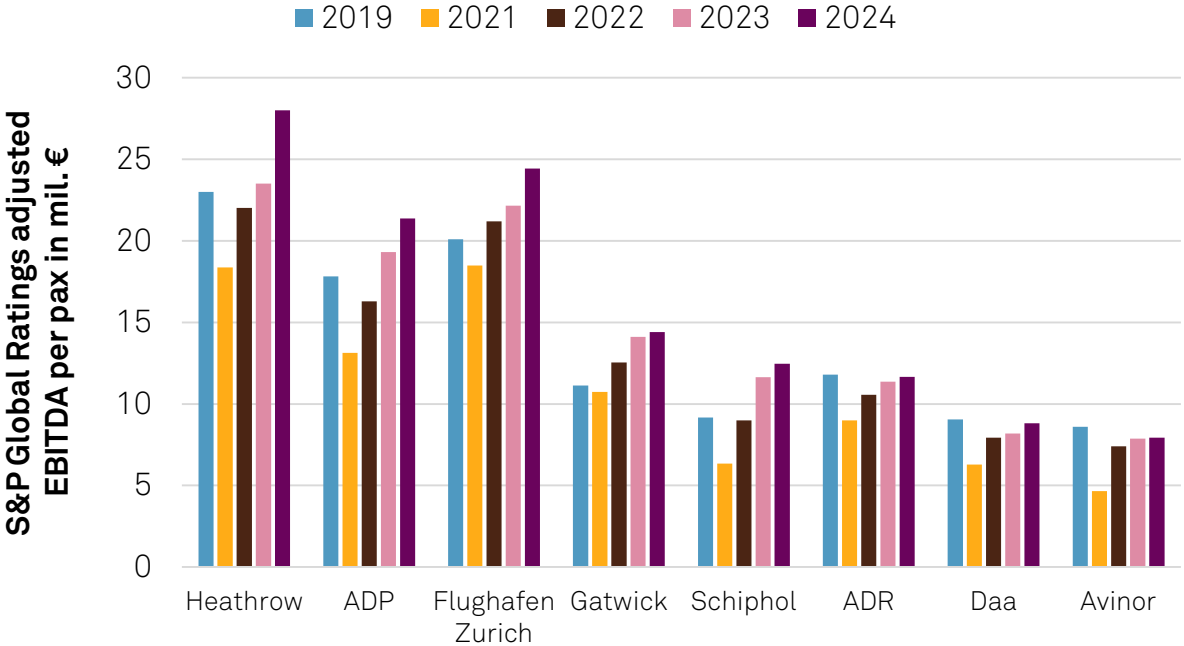
	Heathrow Funding Ltd.	Aeroports de Paris SA	Royal Schiphol Group N.V.	Aeroporti di Roma SpA	Flughafen Zurich AG	Gatwick Funding Ltd.	daa PLC	Avinor AS
Country of location	U.K.	France	Netherlands	Italy	Switzerland	U.K.	Ireland	Norway
Business risk profile	Excellent	Excellent	Excellent	Strong	Strong	Strong	Strong	Strong
Group passengers (2019 mil.)	80.9	108*	80.5	49.4	42.2	46.5	35.5	54.0
Passengers (mil.)	Heathrow	Charles de Gaulle	Amsterdam	Fiumicino	Zurich	Gatwick	Dublin	Oslo
	80.9	76.2	71.7	43.5	31.5	46.5	31.5	28.6
% O&D passengers	70%	89%	63%	75%	71%	100%	93%	75%
% transfer	30%	11%	37%	25%	29%		7%	
% long haul passengers	53%	41%	29%	27%	26%	19%	16%	2%
% business passengers	33%	n.a	30%	20%	27%	17%	16%	N.A.
Top 3 airlines	British Airways (45%) Virgin (5%) AA (4%)	Air France (45%) Easyjet (8%) Transavia (5%)	KLM (50%) Easyjet (8%) Transavia (7%)	Alitalia (34%) Ryanair (17%) Vueling (7%)	Swiss (54%) Edelweiss Air (9%) EasyJet (3%)	EasyJet (43%) British Airways (18%) Norwegian (11%)	Ryanair Aer Lingus --	Norwegian (38%) SAS (38%) Widerøe (10%)
State support for the flagship airlines	N.A.	€8 bil. approved state aid package for Air France	€2.4 bil. state-backed commercial funding and €1 bil. direct government loans to KLM	€3 bil. package pledged to Alitalia	€1.4 bil. package for Swiss Air Lines	N.A.	N.A.	NOK3 bil. state loan guarantee for Norwegian: SEK3.3 bil. state aid for SAS

*259.2 including international airports. N.A.--Not available. Source: S&P Global, Annual reports.

Digital Solutions Could Drive Permanent Cost Savings

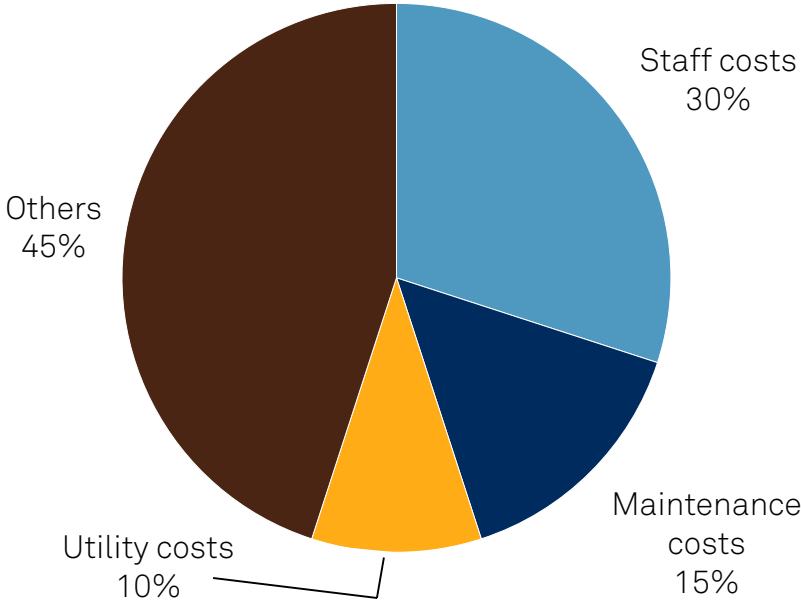
Airports accelerate digital solutions and new processes to deal with COVID-19

EBITDA Per Pax Peer Comparison



Source: S&P Global Ratings. Data as of December year-end, except for Gatwick (March). Data excludes international business operations for Aeroports de Paris, DAA and Flughafen Zurich.

Typical Cost Base For An Airport



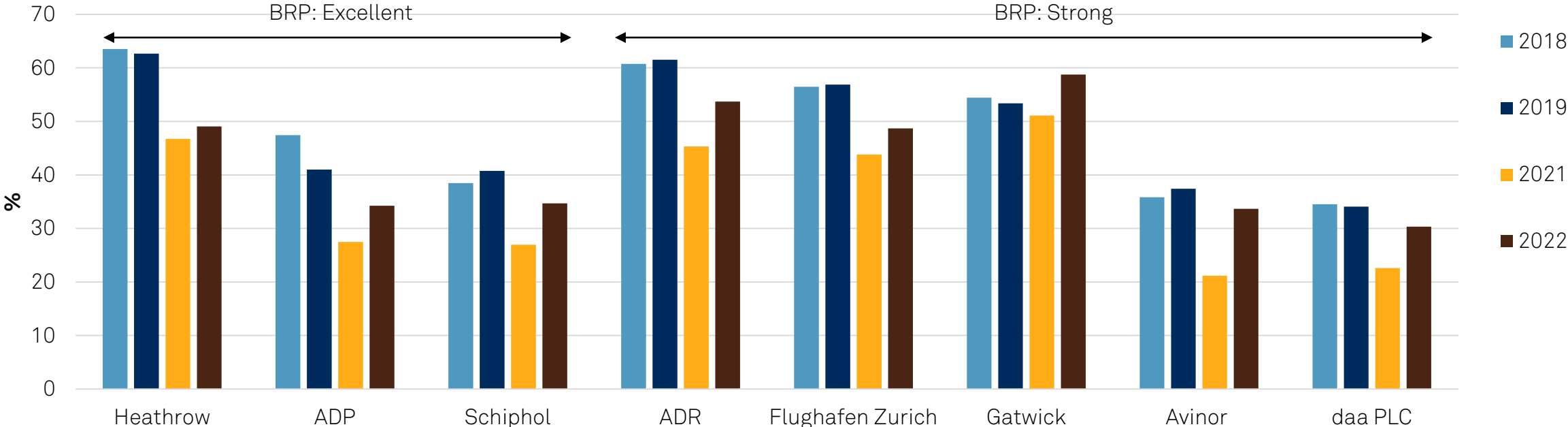
Source: S&P Global Ratings.

Profitability Is Set To Remain Under Pressure

- Aeronautical charges to be driven by the financial conditions of the airlines.
- Expect flat charges, even if airports are entitled to compensation.
- Real-estate revenues and kerbside activities offer more stability.

EBITDA Margin

Peer comparison

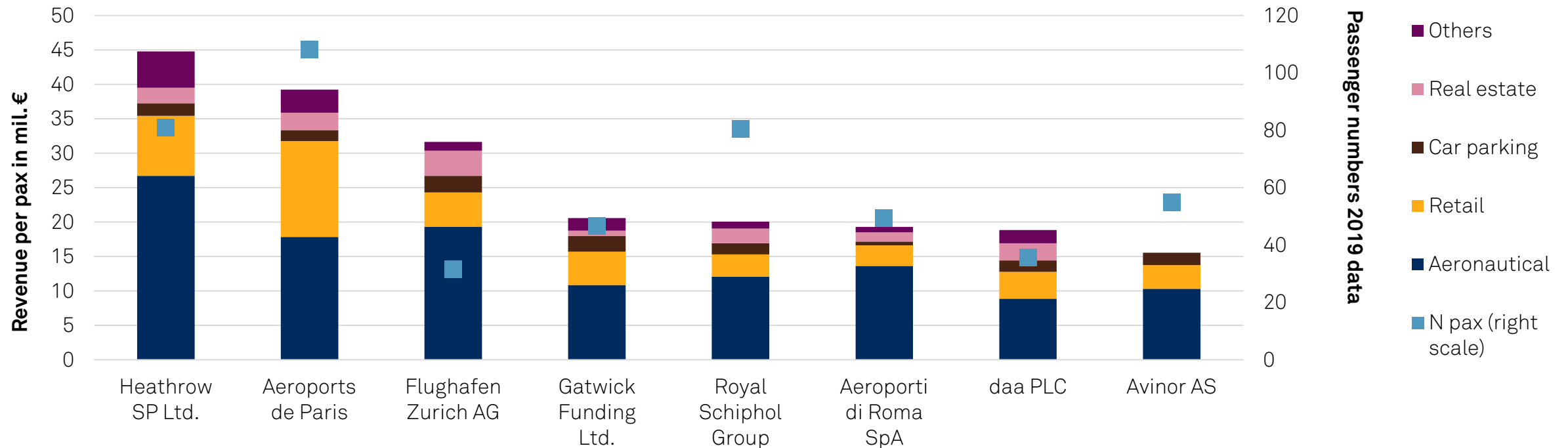


BRP--Business risk profile. ADP--Aeroports de Paris. Schiphol--Royal Schiphol. ADR--Aeroporti di Roma. Source: S&P Global Ratings.

Airports Will Try To Maximize Non-Aeronautical Revenues

Revenue Per Pax Peer Comparison

FY2019



Source: S&P Global Ratings. Data as of December year-end, except for Gatwick (March). Data excludes international business operations for Aeroports de Paris, daa PLC, and Flughafen Zurich.

EMEA | Related Research

- [“Rating Actions Taken On Seven European Airports Due To More Protracted Passenger Recovery”](#), July 14, 2020
- [“Aeroports de Paris SACP Revised Down To 'a-' On Prolonged Traffic Recovery; 'A' Rating Affirmed; Outlook Negative”](#), June 19, 2020
- [“Heathrow Funding Ltd. Class A 'BBB+' And Class B 'BBB-' Debt Ratings Placed On CreditWatch With Negative Implications”](#), May 29, 2020

Analytical Contacts



Pablo Lutereau
Head of Infrastructure EMEA
Infrastructure Ratings
pablo.lutereau@spglobal.com



Tania Tsoneva
Director
Infrastructure Ratings
tania.tsoneva@spglobal.com



Beata Sperling-Tyler
Associate Director
Infrastructure Ratings
beata.sperling-tyler@spglobal.com



Rachel Gerrish
Senior Director
Corporate Ratings
rachel.gerrish@spglobal.com



Juliana Gallo
Director
Infrastructure Ratings
juliana.gallo@spglobal.com

Copyright © 2020 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

Australia: S&P Global Ratings Australia Pty Ltd holds Australian financial services license number 337565 under the Corporations Act 2001. S&P Global Ratings' credit ratings and related research are not intended for and must not be distributed to any person in Australia other than a wholesale client (as defined in Chapter 7 of the Corporations Act).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.

spglobal.com/ratings