

Fitch Affirms Denver (CO) Int'l Airport Revs at 'A+'; Outlk Stable after Frontier BankruptcyRatings

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Fitch Ratings-Chicago-11 April 2008: Fitch Ratings affirms its 'A+' rating and Stable Outlook for the City and County of Denver, Colorado's approximately \$3.6 billion outstanding revenue bonds issued for Denver International Airport.

Frontier Airlines, the airport's second largest carrier, representing approximately 23% of the airport's enplaned passengers in 2007, filed for protection under Chapter 11 of the U.S. Bankruptcy Code earlier today. The carrier continues to operate its full schedule, and the bankruptcy filing is not expected to have an immediate effect on the airport's financial operations. The airport indicates that the airline owes approximately \$1.8 million in pre-petition debt, largely landing fees payable April 20. The airport required Frontier to post a \$3 million letter of credit as a security deposit to mitigate such an event.

With Frontier continuing to operate, the immediate effect on the airport should be negligible as the airline is required to make all post-petition payments due under the airport's use and lease agreement. Of more consequence would be an eventual liquidation of Frontier, which would eliminate a sizeable operator at the airport. As Frontier had not established a debtor-in-possession financing facility upon filing for protection, and market factors may work against the carrier as it pursues its reorganization, Fitch cannot rule out this possibility.

Denver is a strong origination and destination market, thus Fitch believes other carriers - notably Southwest Airlines and United Airlines - will likely act to capture market share in the event of a liquidation of Frontier. However, in light of the current economics of the industry, this backfilling may be on a more limited basis and take place over a longer period of time than in prior years. Thus Fitch would anticipate a decline in annual enplanements and a resultant increase in airport's cost per enplaned passenger. As the airport maintains a strong financial position, with cash on hand consistently exceeding 400 days of expenses and debt service coverage of 1.8 times (x) in 2006, Fitch believes the airport should be able to sustain its financial operations through a short-term market dislocation.

The airport is planning a gate expansion on Concourse C. However, the airport has not yet let the contract for this project and thus maintains the ability to defer or eliminate it should conditions warrant. Should Frontier leave, the airport would have ample capacity to meet the demand of incumbent carriers for gates on Concourse A.

For additional information on Denver International Airport, please refer to the Fitch press release dated March 25, 2008, which is available to subscribers on our web site at 'www.fitchratings.com'.

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