MOODY'S
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Rating Action: Moody's Assigns a Baa1 Rating to Mexico City Airport Trust Senior Secured Notes; Outlook Negative

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New York, September 01, 2017 -- Moody's Investors Service, ("Moody's") assigned a rating of Baa1 to Senior Secured Notes ("2017 Notes") to be issued by Mexico City Airport Trust NAFIN F/80460 ("Mexico City Airport Trust" or "Issuing Trust"). The outlook on the rating is negative.

The Baa1 rating is based upon the assumption that the final transaction and financing documents will be in accordance with Moody's current understanding of the transaction based on documentation reviewed as of the date of this report.

Moody's also affirmed the Baa1 rating assigned to the $1 billion 4.250% Senior Secured Notes due 2026 and $1 billion 5.500% Senior Secured Notes due 2046 (together the "2016 Notes"). The outlook is negative.

RATINGS RATIONALE

Mexico City Airport Trust NAFIN F/80460 (Nacional Financiera S.N.C. Fideicomiso 80460) is the special purpose vehicle that will issue up to a total of $6 billion of debt, considering the $2 billion 2016 Notes, backed by the Passenger Charges or the Airport Usage Fee ("TUA") from the current Mexico City International Airport ("AICM") and the Mexico City New International Airport ("NAICM") when it starts operations, expected in 2020. The transaction also considers a payment guarantee trust ("Security Trust") that under a defined cash waterfall will service the debt.

The debt issued under Mexico City Airport Trust will complement the Government of Mexico's (A3 negative) funding for the construction of the NAICM. The total expected debt under the trust of around $6 billion will finance approximately 40% of the total construction cost of the first stage of the NAICM, which will have an initial capacity of 57 million passengers. Future expansions are expected to increase capacity up to 125 million passengers by the year 2065.

AICM provides an essential service for the greater area of Mexico City and the country, handling 41.7 million passengers in 2016 or more than a third of total air passengers in the country, and approximately 55% of air cargo. The airport also exhibits a solid historic passenger performance that Moody's expects will continue in the near term in light of the airport's proven resiliency under periods of stress.

The rating assigned to the Notes to be issued by Mexico City Airport Trust of Baa1 reflects the application of Moody's joint default analysis (JDA) framework for government related issuers (GRIs), which takes into account the following four input factors: i) a baseline credit assessment (BCA) of ba1 as a measure for the rated entity's standalone creditworthiness, ii) the A3 rating of the Mexican government as the support provider, as well as iii) a high default dependence between the airport and the Mexican government and iv) our estimates of a very high degree of implied government support in the case of financial distress.

The assigned rating reflects the strong fundamentals of the Mexico City International Airport, the pledge of the TUA for debt service, and the structure involving special purpose vehicles to service debt and manage cash flows. Moody's also acknowledges the structural protections pledged to bondholders in the transaction, including a 6-month debt service reserve, a restricted payment test, and an additional indebtedness test, among other enhancements. Moody's acknowledges that the restricted payment test in the 2017 Notes is slightly different from the 2016 Notes, but in our view the change does not have any credit implications.

These strengths are partially offset by the relatively weak expected financial metrics over the first few years of the transaction resulting from the high leverage for the airport's current operation. Nevertheless, we acknowledge the significant upside stemming from a growing passenger demand and the eventual opening of NAICM. By year-end 2017, 85% of total project value is expected to be contracted. In Moody's Base Case, where we assume an interest rate on the 2017 Notes similar to the average rate of the 2016 Notes, Cash Interest Coverage Ratio (cash flow available for debt service to interests) is expected to average 1.7x and Funds From Operations (cash flow available for principal payments) to Debt is estimated to average 3.7%, over the period 2017-2026. Moody's also recognizes that the current airport would be expected to cover the $6 billion of debt without relying on the opening of the new airport.

Concessions for both airports are granted by the government of Mexico through the Ministry of Communications and Transport. The concessions are granted for 50 years, but can be extended by an additional 50-year period upon request by the concessionaires and as long as they meet the requirements established by the ministry. Both concessions were granted to wholly government-owned companies (together the "Sponsors"), Grupo Aeroportuario de la Ciudad de México, S.A. de C.V. (unrated) and Aeropuerto Internacional de la Ciudad de México S.A. de C.V. (unrated).

TUA is a dollar denominated fee that is adjusted by US inflation on a yearly basis and charged to national and international departing passengers. The TUA has been fully ceded to the Issuing Trust by the Sponsors and then to the Security Trust by the Issuing Trust. Therefore it is fully pledged and is the sole source of payment for debt service issued by the Issuing Trust. TUA is set by the Ministry of Finance and collected by airlines via ticket sales on behalf of the airport.

The negative outlook reflects the negative outlook on the rating of the Mexican government, the support provider, which contributes with a rating uplift under our analytical framework for Government Related Issuers.

WHAT COULD CHANGE THE RATING UP

Given the strong linkages of Mexico City Airport Trust with the Government of Mexico (A3 negative) we do not expect upward pressure in the near term.

WHAT COULD CHANGE THE RATING DOWN

Downward pressure on the rating could develop if Cash Interest Coverage and FFO/Debt average levels below 1.6x and 3.5% respectively on a sustained basis as a result of lower than expected passenger traffic or higher leverage. Material delays in the construction of NAICM or a downgrade of the Government of Mexico could also exert downward pressure on the assigned rating. If as a result of the presidential elections we change our views on implied support assumption from the government, the rating would also face downward pressure.

The methodologies used in these ratings were Privately Managed Airports and Related Issuers published in December 2014 and Government-Related Issuers published in August 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

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