S&P Global
Ratings

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daa PLC

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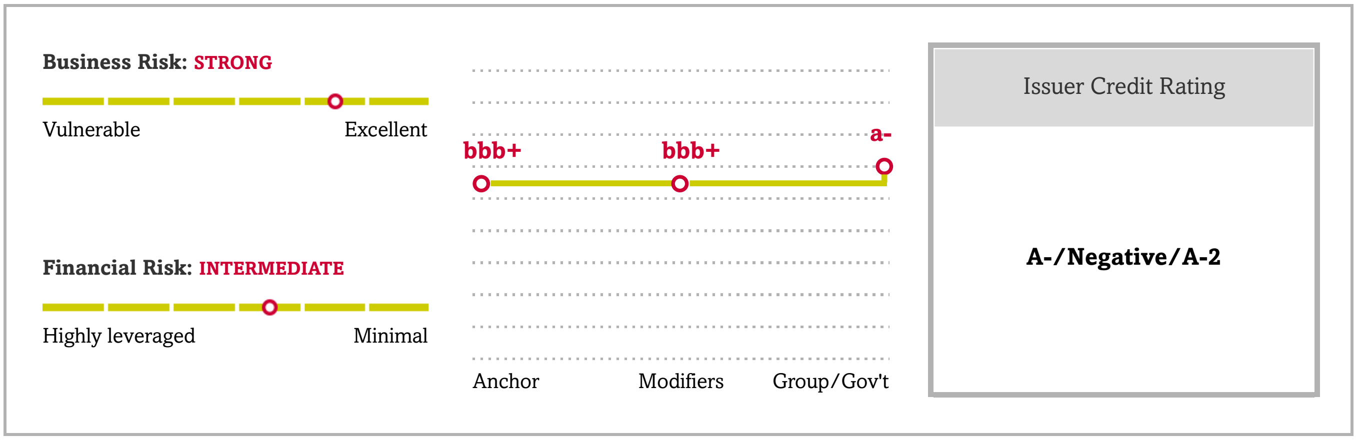
daa PLC



Credit Highlights

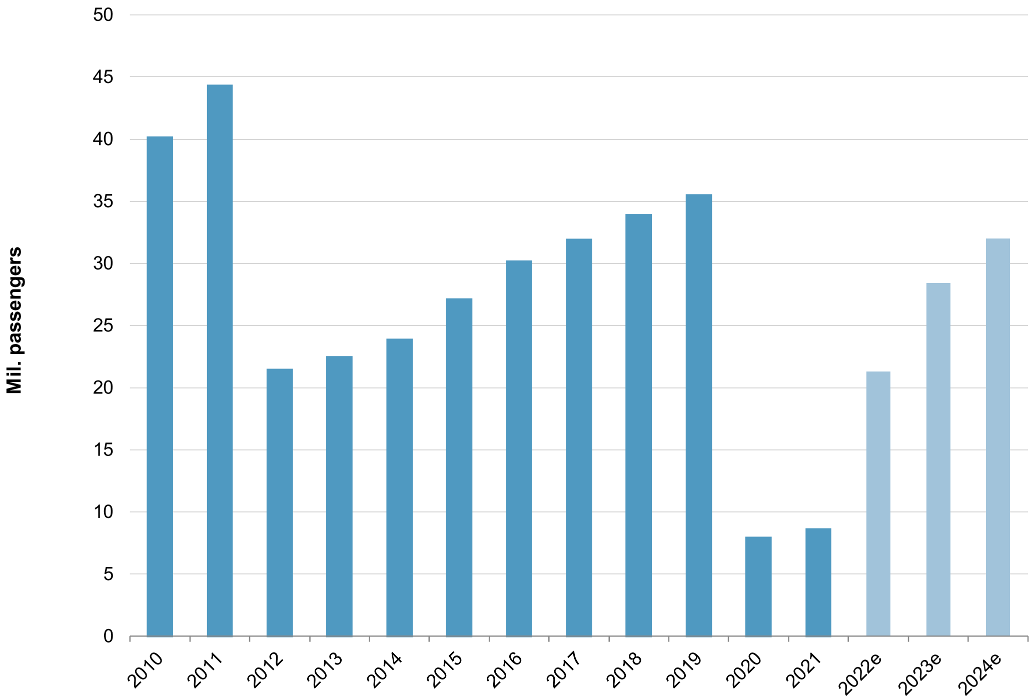
Overview

Key strengths	Key risks
Dominant competitive position in a relatively small catchment area.	A prolonged traffic recovery will likely keep leverage elevated over the next two years.
Favorable regulatory regime that has supported the company's cash-flow resilience in challenging macroeconomic conditions.	High sensitivity to further cross-border restrictions due to the international nature of its traffic.
Strong liquidity with more than €770 million of cash in hand as of Dec. 31, 2021, excluding €85 million of government support that will be used exclusively for airline discounts. We also note relatively low and spread-out debt maturities, and flexible capital spending program.	Exposure to two airlines--Ryanair and Aer Lingus, and history of traffic being more sensitive to economic downturn than peers.
Moderately high support from the Irish government.	

S&P Global Ratings expects that daa's recovery path will remain volatile. We forecast daa's 2022 passenger volumes will be 60%-65% of 2019 levels, 2023 volumes about 80%-85%, and 2024 90%-95%. Combined with the airport's high proportion of intra-European leisure traffic, we expect daa's traffic recovery will be supported by the loosening of mobility restrictions in Western European countries, including Ireland, in January 2022. However, we anticipate that the recovery path will continue to be volatile and depend on consumers' ability and willingness to travel amid the risk of potential new COVID-19 variants.

Chart 1

daa Traffic Recovery Path



e--S&P Global Ratings estimates. Source: Company information.

Sustained cost control and high flexibility in capital spending could partially mitigate the weaker operating environment. With only 25% of the company's capital expenditure (capex) program committed, we believe daa will continue to successfully control its investments to manage its cash burn in line with traffic recovery. Furthermore, despite a typically high fixed cost base, we estimate that daa could reduce its cost base by up to 50% in 2021. This will be supported by government support schemes, such as payroll grants, that the company have benefited from during the pandemic. While we expect costs to increase when volumes start to return, we anticipate that the company will continue to control costs, resulting in estimated EBITDA margins of about 18%-20% in 2022. That said, margins are not likely to return to 2019 levels before 2025. We believe that managing costs could prove to be more challenging, given the current inflationary environment.

We forecast elevated leverage over the next two to three years, borderline for the current rating. We project daa's weighted average leverage over 2022 and 2023, as measured by the ratio of free funds from operations (FFO) to debt, will be around 13%. This contrasts with daa's leverage of 58% FFO to debt in fiscal 2019. The group's deleveraging will depend on the shape of the recovery path in 2022 and 2023, as well as the company's ability to manage its capex in line with this.

The Irish government owns 100% of daa and we consider that it offers the company a moderately high level of support. Our rating on daa therefore benefits from one additional notch of uplift because the group provides essential infrastructure and we view it as being important to Ireland and its economy.

The recent rapid spread of the omicron variant highlights the inherent uncertainties of the pandemic as well as the importance and benefits of vaccines. While the risk of new, more severe variants displacing omicron and evading existing immunity cannot be ruled out, our current base case assumes that existing vaccines can continue to provide significant protection against severe illness. Furthermore, many governments, businesses, and households around the world are tailoring policies to limit the adverse economic impact of recurring COVID-19 waves. Consequently, we do not expect a repeat of the sharp global economic contraction of second-quarter 2020. Meanwhile, we continue to assess how well each issuer adapts to new waves in its geography or industry.

Outlook: Negative

The negative outlook on daa reflects the uncertainties about the extent of the drop in traffic volumes and the pace and shape of the recovery due to COVID-19-related mobility restrictions. Further negative consequences for passenger traffic and retail revenue could arise from the pandemic's impact on Ireland's macroeconomic environment, given the correlation between disposable incomes and leisure travel.

In our base case, we expect daa to maintain weighted-average adjusted FFO to debt of 12%-15% in 2022-2023. The credit metrics will depend on daa's recovery path and completion of significant investments. Additional negative effects could occur because 30% of daa's passengers come from the U.K., which is still suffering from uncertainties related to Brexit.

Downside scenario

We could lower the rating by at least one notch if we expected a further weakening of daa's credit metrics, in particular if daa failed to maintain weighted-average FFO to debt sustainably above 13%. We think this could occur if:

- The economic and traffic recovery is slower or more prolonged than we anticipate;
- The company does not execute mitigating actions in good time, such as the delay of capex or reduction in operating costs; or
- There are unfavorable changes to the liberalized air service agreements or economic regulation in the Common Travel Area as a result of Brexit.

We could also lower the ratings if daa's competitive position weakens, for instance due to higher volatility of cash flows or profit margins below 30% in normal times. All else being equal, a one-notch downgrade of Ireland (AA-/Stable/A-1+) would not change our rating on daa.

Upside scenario

We could revise the outlook to stable if traffic starts to recover in a strong and sustainable way and the risk of a further spike in COVID-19 falls, coupled with daa maintaining cost control discipline. There could be some support to the credit metrics from a potential tariff reset by the regulator to compensate for the drop in traffic as a result of pandemic. This could be implemented in January 2023 and would apply to 2023-2026.

Our Base-Case Scenario

Assumptions

Our base-case assumptions for 2022-2024 are as follows:

- Passenger traffic as a proportion of 2019 levels will be about 60%-65% in 2022, about 80%-85% in 2023 and about 90% in 2024.
- Aeronautical charges are partly dependent on the consumer price index (CPI), which we forecast will rise by 0.8% in 2021, and 1.1% in 2022.
- Positive EBITDA margins in 2022, supported by sustained cost savings and recovery path.
- Annual capex of about €150 million-€200 million.
- No dividend distributions to the Irish government.

Key metrics

daa PLC --Key Metrics*

(Mil. €)	2020a	2021f	2022f	2023f
Revenue	290.6	320-325	590-610	790-810
EBITDA margin (%)	(43.4)	10.0-13.0	17.0-20.0	About 30
Funds from operations (FFO)	Negative	10.0-15.0	70-90	210-230
Capital expenditure	266.1	180-185	180-200	About 200
Debt	821.5	955-960	1,100-1,200	1,100-1,200
FFO to debt (%)	Negative	1.0-2.0	6.0-8.0	19.0-21.0

a--Actual. f--Forecast.

Company Description

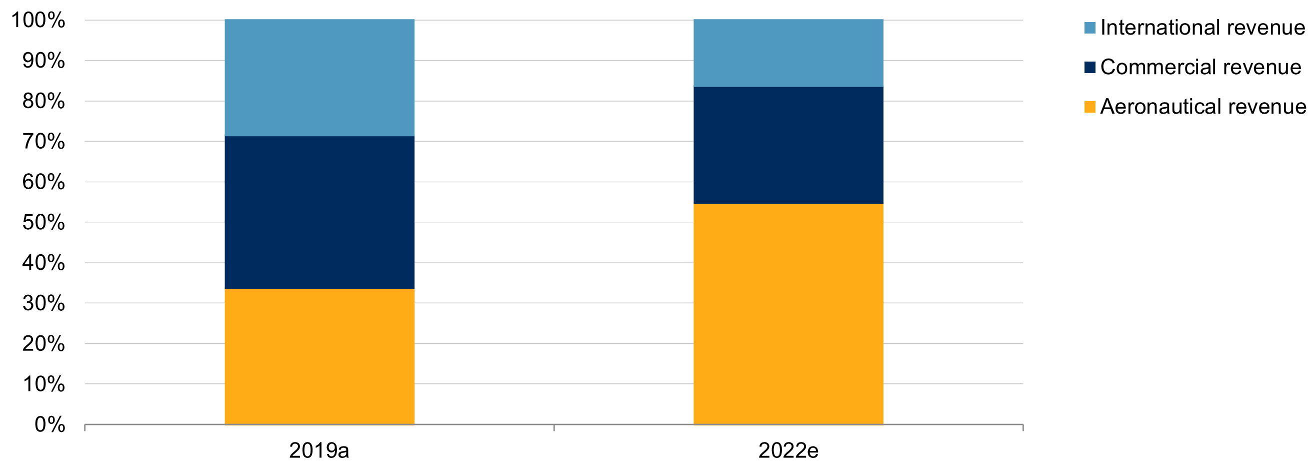
In Ireland, daa operates Dublin and Cork Airports and is involved in all related activities, from retail activities within the airports to managing the airports' car parks. It is a 100% state-owned company but is financed and managed independently of the government. Through its wholly owned subsidiary, Aer Rianta International, daa also owns and operates airport retail businesses in the Middle East, the Americas, New Zealand, and Cyprus, and holds stakes in other airports, namely, 20% in Dusseldorf Airport in Germany and 11% in Paphos and Lanarca Airports in Cyprus.

Dublin Airport is regulated on the basis of a single-till approach, whereby the airport's costs are covered by both aeronautical charges and commercial revenue. The current regulatory contract covers the period between 2020 and 2024. However, we understand that Dublin airport is the process of a new tariff determination that could be implemented in January 2023, to cover the period 2023-2026. Cork Airport is unregulated. In 2019, Dublin and Cork

Airports registered 35.5 million passengers and generated 88% of daa's consolidated EBITDA.

Chart 2

Revenue Breakdown At daa*



Figures for Dec. 31, 2019 are shown here as a comparator because these exclude the effects of the pandemic and are more representative of daa's revenue lines. Source: daa Annual Report, S&P Global Ratings.
a--Actual. e--Estimated.

Peer Comparison

Table 1

daa PLC--Peer Comparison				
Industry sector: Infrastructure				
	daa PLC	**Flughafen Zurich AG**	**Avinor AS**	**Aeroporti di Roma SpA**
Ratings as of March 7, 2022	A-/Negative/A-2	A+/Negative/--	A/Negative/A-1	BBB-/Positive/A-3
	--Fiscal year ended Dec. 31, 2020--			
(Mil. €)				
Revenue	290.6	546.2	780.5	273.2
EBITDA	(126.0)	179.9	194.1	14.0
Funds from operations (FFO)	(137.2)	136.8	105.5	(58.2)
Interest expense	23.7	16.9	68.1	48.4
Cash interest paid	23.3	17.6	60.1	47.8
Cash flow from operations	(67.3)	130.5	129.8	(128.6)
Capital expenditure	266.1	368.2	226.9	153.8
Free operating cash flow (FOCF)	(333.4)	(237.7)	(97.1)	(282.4)
Discretionary cash flow (DCF)	(333.9)	(238.7)	(97.1)	(282.4)
Cash and short-term investments	785.3	509.3	574.0	1,097.2

Table 1

daa PLC--Peer Comparison (cont.)

Industry sector: Infrastructure

	daa PLC	Flughafen Zurich AG	Avinor AS	Aeroporti di Roma SpA
Debt	791.2	1,430.5	2,561.4	1,314.9
Equity	1,243.0	2,159.2	1,257.7	991.9
Adjusted ratios				
EBITDA margin (%)	(43.4)	32.9	24.9	5.1
Return on capital (%)	(14.2)	(1.6)	(0.3)	(4.0)
EBITDA interest coverage (x)	(5.3)	10.7	2.8	0.3
FFO cash interest coverage (x)	(4.9)	8.8	2.8	(0.2)
Debt/EBITDA (x)	(6.3)	8.0	13.2	93.7
FFO/debt (%)	(17.3)	9.6	4.1	(4.4)
Cash flow from operations/debt (%)	(8.5)	9.1	5.1	(9.8)
FOCF/debt (%)	(42.1)	(16.6)	(3.8)	(21.5)
DCF/debt (%)	(42.2)	(16.7)	(3.8)	(21.5)

In our view, daa faces less competition than its peers, offset by more airline concentration risk and sensitivity to economic cycles. We view it as positive when airports host a diverse group of airlines, although this includes our assumption that, if an airline were to default, other carriers would rapidly pick up the demand.

Profitability at daa is lower than that of European airports of similar size, but comparable with Avinor's. This is because of a combination of the relatively low airport charges and the other businesses that generate lower profitability. As daa partly runs the commercial activities, it takes on both revenue and costs associated with these activities. In other airports, third parties typically conduct the commercial activities, and the airport operators benefit from commercial revenue in the form of concession fees and profit sharing.

Table 2

daa PLC--Key Operating Statistics

	daa PLC	Heathrow Funding Ltd.	Aeroports de Paris	Royal Schiphol Group N.V.	Aeroporti di Roma SpA	Flughafen Zurich AG	Gatwick Funding Ltd.	Avinor AS
Country of location	Ireland	U.K.	France	Netherlands	Italy	Switzerland	U.K.	Norway
Business risk profile	Strong	Excellent	Excellent	Excellent	Strong	Strong	Strong	Strong
Group passengers (2019 mil.)	35.5	80.9	108*	80.5	49.4	42.2	46.5	54
Passengers (mil.)	Dublin	Heathrow	Charles de Gaulle	Amsterdam	Fiumicino	Zurich	Gatwick	Oslo
	31.5	80.9	76.2	71.7	43.5	31.5	46.5	28.6
% O&D passengers	93%	70%	89%	64%	75%	71%	100%	75%
% transfer	7%	30%	11%	36%	25%	29%		
% long haul passengers	16%	53%	41%	29%	27%	26%	19%	2%

Table 2

daa PLC--Key Operating Statistics (cont.)

	daa PLC	Heathrow Funding Ltd.	Aeroports de Paris	Royal Schiphol Group N.V.	Aeroporti di Roma SpA	Flughafen Zurich AG	Gatwick Funding Ltd.	Avinor AS
% business passengers	16%	33%	n.a	30%	20%	27%	17%	N.A.
Top 3 airlines	Ryanair	British Airways (45%)	Air France (45%)	KLM (50%)	Alitalia (34%)	Swiss (54%)	EasyJet (43%)	Norwegian (38%)
	Aer Lingus	Virgin (5%)	Easyjet (8%)	Easyjet (8%)	Ryainair (17%)	Edelweiss Air (9%)	British Airways (18%)	SAS (38%)
	--	AA (4%)	Transavia (5%)	Transavia (7%)	Vueling (7%)	EasyJet (3%)	Norwegian (11%)	Widerøe (10%)
State support for the flagship airlines	N.A.	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.	NOK3 bil. state loan guarantee for Norwegian: SEK3.3 bil. state aid for SAS

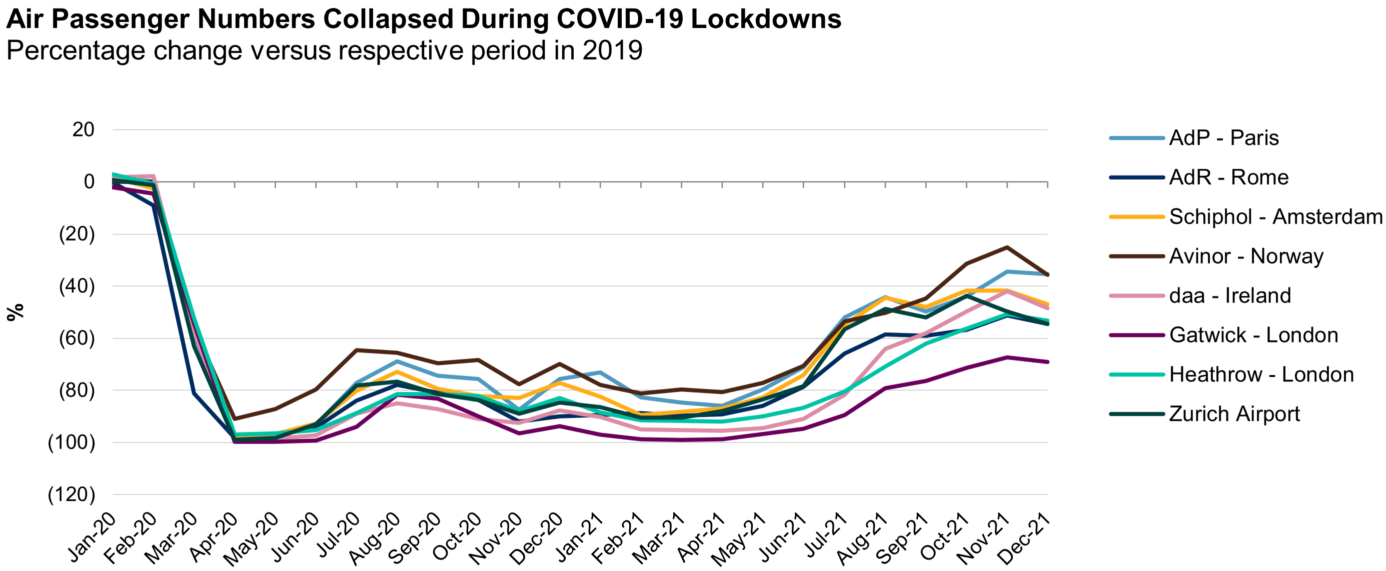
*259.2 million including international airports. N.A.--Not available. Sources: S&P Global Ratings; airports' annual reports.

Business Risk: Strong

A strong market position supports recovery in operations, but daa is vulnerable to further cross-border restrictions. With the airports of Dublin and Cork handling more than 90% of all passengers travelling to and from the Republic of Ireland, we believe that daa will maintain its strong market position over the next two to three years. We do not expect the competitive landscape to change as the majority (94%) of travelers are origin-destination passengers, whose demand derives from a need to travel, rather than the availability of connections. This, combined with Ireland's geographic position, means that Dublin Airport faces only marginal competition from other European airports. Other factors supporting daa's strong competitive position include the fact that the company is the fifth-largest European connection point to North America. Consequently, with a high proportion of short-haul leisure traffic (about 44% in 2019), we believe that daa's strong market position will allow the airport to better exploit the relaxation of mobility restrictions, supporting better passenger volumes and nonaeronautical revenue lines. Passenger recovery prospects, however, will hinge on the extent of travel restrictions, notably in view of potential new COVID-19 variants and the effectiveness of current vaccines.

Airports like daa, with a negligible share of domestic traffic, have proven more sensitive to pandemic-related restrictions and uncertainty. In 2020 and 2021, daa's traffic reached only 22%-25% of 2019 levels (chart 3). This compares negatively with most European airports, where traffic levels have been about 30% of 2019 levels in 2020 and about 35%-40% in 2021. As such, we believe that daa could see more traffic volatility than its peers, with a heightened susceptibility to Irish macroeconomic downturns, as observed in the past.

Chart 3



Source: S&P Ratings, CAA, respective airports' websites.

The group benefits from a well-established and stable regulatory framework that supports cash flow predictability and also acts as a potential buffer against the impact of the pandemic. We believe Dublin airport operates within a supportive regulatory framework, providing good cash flow visibility. The airport fees are set under a multiyear agreement the Commission for Aviation Regulation (CAR), which sets a cap of airport fee increases over a five-year period. In 2019, CAR implemented a 11% reduction in aeronautical charges for the five-year regulatory period (Jan. 1, 2020, to Dec. 31, 2024). However, daa's regulatory framework incorporates the flexibility to revisit the charges in the event of significant disturbance. As such, we understand that there is an ongoing consultation to review the current charges in response to COVID-19 traffic disruptions. As a result of this, we anticipate a tariff reset could be implemented in January 2023, for the period Jan. 1, 2023, to Dec. 31, 2026.

Nevertheless, the visibility on a potential tariff-reset is limited and is potentially clouded by daa's reliance on two main airlines--Aer Lingus and Ryanair--with the latter in particular seeking a reduction in charges to drive a recovery in traffic. That said, daa operates the lowest aeronautical charges among rated European airports, a factor that we believe strengthens its competitive position. Given the uncertainty over the total amount of the tariff reset in January 2023, we do not currently factor these into our base case. Hence, in our view, there could be upside to the company's credit metrics if the reset were to materialize.

Improved cost controls at daa provide some stability to earnings amid a weaker operating environment. In the face of the pandemic, daa has improved its cost management and cash burn levels. Despite a largely fixed cost base (about one-third being staff expenses), we estimate that daa could substantially reduce its cost base by up to 50% in 2021, supported by its voluntary redundancy scheme and government wage support.

While we expect costs to increase when volumes start to return, we anticipate that the company will continue to control costs, such that its EBITDA margins will be about 18%-20% in 2022. That said, we do not expect a return to

2019 margin levels of around 35% before 2025.

Financial Risk: Intermediate

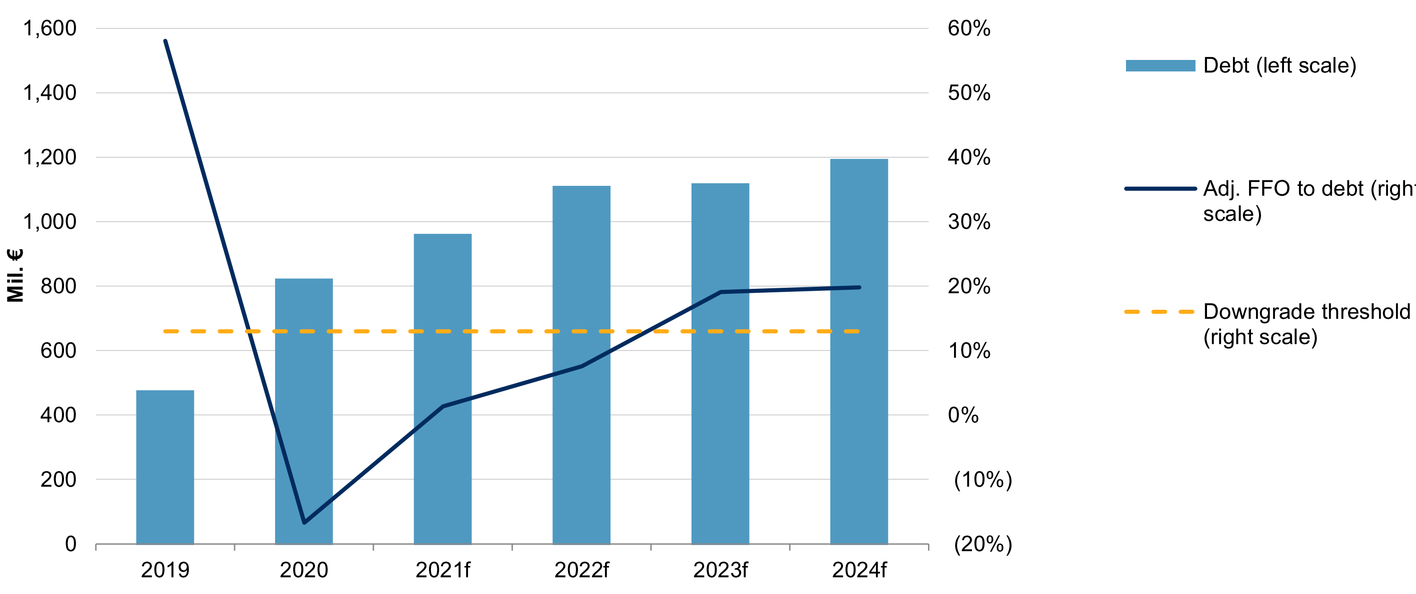
The financial risk profile reflects daa's weakening ratios. We expect that daa's weighted-average FFO to debt will be around 13% over 2022-2023, down from 58.1% in 2019. This is based on the assumption that traffic returns to 2019 levels by 2025, and is subject to the implementation of mitigating actions. We do not think that traffic volumes in 2020 and 2021 are representative of the airports' long-term credit quality. Therefore, in our ratio calculations, we look beyond the short-term ratios and place more emphasis on 2022-2024.

We expect daa's financial leverage to remain elevated over the next 12-24 months. Like many airports, daa experienced high cash burn in the early stages of the pandemic. This prompted daa to take on additional debt to shore up liquidity in the face of unprecedented operational disruption. Combined with weaker passenger traffic, we believe daa's leverage ratios will remain weak in 2022.

Nevertheless, we expect FFO to debt will improve to above 13% by fiscal 2023. We anticipate this improvement will occur as the recovery unfolds, supported by more established means to manage the pandemic and progress in vaccination rates. This improvement in leverage, however, will primarily depend on daa's passenger traffic recovery path and the company's ability to balance its relatively high capex requirements and operating costs. We believe, however, that this could prove more complex given the current inflationary environment.

Chart 4

Leverage At daa Will Depend On Its Traffic Recovery Path, Capital Expenditure, And Cost Control



f--Forecast. FFO--Funds from operations. Source: S&P Global Ratings.

The ability to balance capex with an uncertain recovery path will influence daa's deleveraging. Since the start of the pandemic, daa has successfully scaled back its capex in order preserve cash flows. Despite a relatively high investment program of about €1.5 billion-€1.7 billion between 2021 and 2026, only about 25% of this is actually committed, allowing the flexibility to defer spending in the face of weaker-than-expected operational performance. As such, we believe daa will continue to successfully control its investments to manage its cash burn in line with traffic recovery as well as increasing costs. We view this as a strength relative to some other European airports that are unable to avoid capital investments to ensure compliance with safety regulations or even sustainability spending as they strive for net zero emissions, for example. Such airports will likely see more pressure on their credit profiles as debt levels are likely to increase.

Financial summary

Table 3

daa PLC--Financial Summary					
Industry sector: Infrastructure					
	--Fiscal year ended Dec. 31--				
	2020	**2019**	**2018**	**2017**	**2016**
(Mil. €)					
Revenue	290.6	934.7	896.9	854.6	793.1
EBITDA	(126.0)	321.3	309.8	300.0	275.6
Funds from operations (FFO)	(137.2)	275.9	276.9	257.0	226.6
Interest expense	23.7	20.8	30.8	41.6	47.1
Cash interest paid	23.3	19.3	29.5	39.2	45.4
Cash flow from operations	(67.3)	275.7	271.4	237.1	218.6
Capital expenditure	266.1	220.4	134.7	171.2	118.3
Free operating cash flow (FOCF)	(333.4)	55.3	136.7	65.9	100.3
Discretionary cash flow (DCF)	(333.9)	12.2	98.0	34.2	80.7
Cash and short-term investments	785.3	329.9	361.1	595.0	606.2
Gross available cash	785.3	329.9	361.1	595.0	606.2
Debt	791.2	475.1	495.3	587.1	614.9
Equity	1,243.0	1,534.8	1,398.4	1,293.3	1,200.4
Adjusted ratios					
EBITDA margin (%)	(43.4)	34.4	34.5	35.1	34.8
Return on capital (%)	(14.2)	10.1	9.9	10.5	9.6
EBITDA interest coverage (x)	(5.3)	15.5	10.1	7.2	5.9
FFO cash interest coverage (x)	(4.9)	15.3	10.4	7.6	6.0
Debt/EBITDA (x)	(6.3)	1.5	1.6	2.0	2.2
FFO/debt (%)	(17.3)	58.1	55.9	43.8	36.9
Cash flow from operations/debt (%)	(8.5)	58.0	54.8	40.4	35.5
FOCF/debt (%)	(42.1)	11.6	27.6	11.2	16.3
DCF/debt (%)	(42.2)	2.6	19.8	5.8	13.1

Reconciliation

Table 4

daa PLC--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €)

	--Fiscal year ended Dec. 31, 2020--							
daa PLC reported amounts								
	Debt	**Shareholders' equity**	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**	**Capital expenditure**
Reported	1,568.1	1,227.0	(132.8)	(269.7)	19.2	(126.0)	(47.3)	270.1
S&P Global Ratings' adjustments								
Cash taxes paid	--	--	--	--	--	12.1	--	--
Cash interest paid	--	--	--	--	--	(18.9)	--	--
Operating leases	4.6	--	1.6	0.4	0.4	(0.4)	1.2	--
Postretirement benefit obligations/deferred compensation	3.8	--	0.1	0.1	0.1	--	--	--
Accessible cash and liquid investments	(785.3)	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	4.0	(4.0)	(4.0)	(4.0)
Dividends received from equity investments	--	--	1.6	--	--	--	--	--
Nonoperating income (expense)	--	--	--	(33.2)	--	--	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	--	(17.3)	--
Noncontrolling interest/minority interest	--	16.0	--	--	--	--	--	--
EBITDA: Gain/(loss) on disposals of PP&E	--	--	3.5	3.5	--	--	--	--
Depreciation and amortization: Asset valuation gains/(losses)	--	--	--	11.1	--	--	--	--
Depreciation and amortization: Reverse goodwill amortization	--	--	--	1.8	--	--	--	--
Total adjustments	(776.9)	16.0	6.8	(16.4)	4.4	(11.1)	(20.1)	(4.0)
S&P Global Ratings' adjusted amounts								
	Debt	**Equity**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Capital expenditure**
Adjusted	791.2	1,243.0	(126.0)	(286.1)	23.7	(137.2)	(67.3)	266.1

Liquidity: Strong

We view daa's liquidity as strong. We estimate that sources of liquidity in the 12 months to Dec. 31, 2022, will exceed uses by more than 2.0x, and that liquidity coverage in the following 12 months will be more than 2.0x.

In our view, daa should be able to withstand substantially adverse market conditions over the next 24 months, while still having sufficient liquidity to meet its obligations. This view is supported by our expectation that sources of cash will exceed uses even if forecast EBITDA declines by 30%. In our view, management exercises prudent risk management and its debt documents remain favorable, with limited covenant requirements.

That said, there are downside risks to the timing of recovery of air traffic, which could increase the cash flow deficit in the next 24 months.

Principal liquidity sources	Principal liquidity uses
We expect that daa's principal liquidity sources for the 12 months to Dec. 31, 2021, will include: • Surplus cash and liquid investments of about €773 million (this excludes €85 million in government grants that will be exclusively used to provide airline discounts); • Availability of €450 million under a revolving credit facility (RCF) that expires in March 2027; and • Minimal cash flows from operations.	We expect that principal liquidity uses over the same period will include: • Limited debt maturities of about €36.5 million; • Capex of about €180 million; and • No dividends.

Debt maturities

Table 5

daa--Debt Maturity Profile

Year	Amount (mil. €)
2022	36.5
2023-2025	110.9
After 2025	1,383.9
Total	1,568.1

As of Dec 31, 2021. Data is for the fiscal years ending Dec. 31.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	S-2	S-3	**S-4**	S-5	G-1	**G-2**	G-3	G-4	G-5

Environmental	Social	Governance
N/A	- Health and safety	N/A

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.N/A—Not applicable.

Social factors are a negative consideration in our credit rating analysis of daa. Passenger traffic at daa's airports declined 78% in 2020, since most of its traffic is cross-border and was subject to COVID-19-related restrictions and quarantines. We expect a slow and protracted recovery to pre-pandemic levels by 2024, at the earliest, to weigh on the company's cash flow. Environmental and governance factors have an overall neutral influence on our credit rating analysis.

Government Influence

We view daa as a government-related entity. It is 100% owned by the Irish government and is a strategic asset for Ireland (AA-/Stable/A-1+). In our view, there is a moderately high likelihood that the Irish government would provide timely and sufficient extraordinary support to daa in the event of financial distress. This reflects our assessment of daa's:

- Important role for Ireland, owing to the company's strategic role in relation to air travel and general economic development in Ireland, since there are no land connections to other countries.

- Strong link with the Irish government. We understand that the Irish government is not considering privatizing Dublin Airport due to its strategic value to the government. We anticipate that the independent regulatory regime, established under the Aviation Regulation Act 2001, would be the primary source of financial support to daa. It is government policy that daa should operate on a commercial basis.

Issue Ratings - Subordination Risk Analysis

Capital structure

As of December 2021, daa had bank loans of about €562 million. DAA Finance PLC, daa's financing subsidiary, holds the remainder of the group's financial debt, which includes about €550 million of unsecured notes due in 2028 and €500 million due in 2032. This debt is guaranteed by daa.

Analytical conclusions

The issue ratings on the €1,050 million of unsecured debt issued by DAA Finance PLC and the €450 million RCF available to both DAA Finance and daa are the same as the long-term issuer credit rating on daa. This is because there are no priority liabilities and DAA Finance's debt benefits from a parental guarantee.

Ratings Score Snapshot

Issuer Credit Rating

A-/Negative/A-2

Business risk: Strong

- **Country risk:** Low
- **Industry risk:** Low

- **Competitive position:** Strong

Financial risk: Intermediate

- **Cash flow/leverage:** Intermediate

Anchor: bbb+

Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Strong (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : bbb+

- **Related government rating:** AA-
- **Likelihood of government support:** Moderately high (+1 notch from SACP)

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010

Related Research

- A Volatile Recovery Ahead For European Airports, Jan. 24, 2022
- From Bad To Worse: Global Air Traffic To Drop 60%-70% In 2020, Aug. 12, 2020
- WEBCAST/SLIDES published: COVID-19 Recovery: European Airports Face More Woes Ahead, July 27, 2020

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	**Intermediate**	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	**a-/bbb+**	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of March 7, 2022)*

daa PLC	
Issuer Credit Rating	A-/Negative/A-2
Issuer Credit Ratings History	
14-Jul-2020	A-/Negative/A-2
26-Mar-2020	A/Watch Neg/A-1
12-Dec-2019	A/Stable/A-1
03-Jul-2019	A-/Stable/A-2
26-May-2017	A-/Positive/A-2

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.