

# Fitch downgrades Delta EETCs

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Fitch Ratings has downgraded Delta's 2019-1 class AA enhance equipment trust certificates (EETCs) to 'A' from 'A+' and the class A certificates to 'BBB+' from 'A-' due to "weaker levels of overcollateralisation driven by lower appraised values for the Airbus A321s in the pool".

"While the transaction continues to pass Fitch's 'A' level value stress test, it does so with limited headroom. It is not yet clear what impact the coronavirus disruption will have on aircraft secondary market values for all aircraft types, though Fitch believes that levels of overcollateralisation will weaken given the scale of the impact on the aviation industry.

"Fitch will continue to evaluate the stress rates that it uses in its EETC models and determine whether further asset value haircuts remain appropriate in what is likely to be an already distressed market over the coming months," the ratings agency says in a research report.

The ratings for the A certificates are based on Fitch's bottom-up approach. The class A certificates pass the agency's 'A' level stress tests at the beginning of the transaction, but fail to do so toward the end of the transaction due to the bullet structure.

Fitch considers the affirmation factor for 2019-1's pool of aircraft to be "high primarily due to the number of older planes in Delta's fleet that are more likely to be rejected in a distress scenario than the collateral planes", which consist of A220-100s, A321-200s, A350-900s and Boeing 737-900ERs. The affirmation factor also benefits from the strategic importance of these aircraft to Delta.

Fitch has downgraded the class A certificates of Delta's 2007-1 EETC transaction by two notches. The certificates are directly tied to the underlying issuer rating.

The 2007-1 certificates receive only one notch of uplift for the liquidity facility as Fitch considers the affirmation factor to be weak. The collateral in the transaction largely consists of "older widebodies that are unlikely to be of key strategic importance" as Delta adjusts to operating a smaller airline in the current environment.

The 2019-1 certificates benefit from dedicated 18-month liquidity facilities, which are provided by Commonwealth Bank of Australia.

The 2007 transaction has an 18-month facility provided by Landesbank Hessentheuringen Girozentrale.

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