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Brightline's $2 billion bonds assigned low credit ratings, though the outlook is "stable"

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Brightline received three low credit ratings this month as it shopped for a $2 billion loan to refinance its $4.94 billion debt and to fund reserves, expansion and financing costs.

Though low, the BBB and BBB-minus ratings still mean it's a "suitable investment" with a "stable outlook," but is "subject to adverse business and economic conditions," the three credit raters agreed. The preliminary ratings were based on "conservative assumptions" and could change as the credit raters obtain new information, they said.

Brightline's unproven track record and uncertain growth in ridership, especially in its new Miami-Orlando route, were factors affecting the April 2 ratings. It didn't help that the first-of-its-kind U.S. rail system had to shut down during the coronavirus pandemic, according to the analyses.

Credit raters assessed Brightline based on some comparisons with Amtrak's Northeast Corridor, especially the train services between New York, Boston, and Washington, D.C.

"There is uncertainty about the shape and speed of Brightline's rail services ramp-up to stabilization," but "as competing highway networks become more congested and Brightline's customer base grows, the value proposition of rail travel should further improve," one analysis says.

Brightline revenue, ridership

The ratings came from KBRA, Fitch and S&P Global Ratings. The latter forecast:

- Revenue will be less than Brightline projects; 38% to 55% in the best-case scenario and 52% to 71% in the worst.
- Ridership will take longer to stabilize than Brightline projects; by 2028, not 2026.
- Brightline may attract 11% of the long-distance travelers between Miami and Orlando, and 0.5% of short-distance travelers between the five South Florida stations.
- After the Miami-Orlando service stabilizes, it will account for over 80% of total ridership and 87% of total revenue. Long-distance ridership was 51% in January and February, with 236,577 riders.

- Prices will increase throughout 2024 as promotional introductory offers are phased out.

Other notable facts S&P cited include:

- Long-distance ridership was 3.4% less than S&P forecast for the last three months of 2023, but 24.7% more than it forecast for January. Revenue was 19.3% and 9.8% less, respectively.
- Short-distance revenue was higher than S&P forecast, with lower ridership and higher ticket prices being “consistent with Brightline’s strategy as it rolls out long-distance service.”
- Total daily bookings increased 50% from 2,819 in October to 4,224 in January
- Repeat customers doubled from 715 in October to 1,437 in January.

Net loss: Brightline losing money despite increased revenue, ridership from Miami-Orlando service

Brightline reported a 174% increase in revenue but an 18% increase in net loss in 2023 compared to 2022, with the $306.68 million net loss due to increased expansion and operating costs, according to its financial statement.

Brightline plans to expand the Miami-Orlando service it launched in September 2023 with stations in Stuart and Cocoa, and more coaches arriving this summer. Each 240-seat train now has two locomotives flanking four coaches — one first class and three coach class — but can have a maximum of 10 coaches, Brightline spokesperson Katie Mitzner told TCPalm.

Brightline credit ratings, bond issue

The Florida Development Finance Corp. this month is expected to issue the tax-exempt bonds that will be due in 2053.

Here’s how credit raters define their grades:

Fitch: BBB-minus means “good credit quality,” low default risk expectations, adequate capacity for repayment, but it is more likely to be impaired by adverse conditions.

S&P Global Ratings: BBB-minus means “adequate capacity" to meet financial commitments, but more subject to "adverse" economic conditions.

KBRA: BBB means the bonds are of “medium quality” and may pose some risk “during stressed environments.”

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