



S&P Global Ratings, a division of Standard & Poor's Financial Services LLC (S&P) lowered its long-term credit ratings on the Authority's outstanding unlimited tax bonds from "AAA" to "AA+." S&P indicated that "[t]he rating actions reflect the application of our "Global Not-For-Profit Transportation Infrastructure Enterprises (TIE)" criteria (published Nov. 2, 2020), which incorporates both credit characteristics of the enterprise operations as well as stability provided by significant property tax revenues." A copy of the S&P press release is attached.

The ratings reflect only the views of S&P. The Authority makes no representation as to the appropriateness of the ratings or the information provided by or conclusions of S&P. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn by S&P. For information regarding the ratings and ratings criteria, readers should contact S&P. The Authority is not undertaking any obligation to update the ratings information.

Port Of Houston Authority Refunding Bond Rating Lowered To 'AA+' From 'AAA' On Criteria Application

March 11, 2021

CENTENNIAL (S&P Global Ratings) March 11, 2021--S&P Global Ratings lowered its long-term rating on the Port of Houston Authority's (PHA) approximately \$573 million unlimited-tax refunding bonds outstanding to 'AA+' from 'AAA'. The outlook is stable.

The rating action reflects the application of our "Global Not-For-Profit Transportation Infrastructure Enterprises (TIE)" criteria (published Nov. 2, 2020), which incorporates both credit characteristics of the enterprise operations as well as stability provided by significant property tax revenues.

"The rating further reflects our opinion of the relatively stable activity levels and resilient very strong enterprise risk and financial risk profiles of the port despite the economic impacts across the country from the COVID-19 pandemic, as well as our view of operational support from the port's significant property tax revenues," said S&P Global Ratings credit analyst Ken Biddison.

The enterprise risk profile reflects our view of PHA's:

- Very strong market position due to its business position as a gateway to the large North American market and its place as the largest Gulf Coast port;
- Extremely strong service area economic fundamentals;
- Low industry risk relative to that of other industries and sectors; and
- Extremely strong management.

The financial risk profile reflects our view of PHA's:

- Debt service coverage (S&P Global Ratings-calculated) that we expect will remain at levels we consider very strong;
- Extremely strong debt and liabilities capacity that we expect will continue, including the sizable approximately \$1.4 billion capital improvement plan; and
- Very strong liquidity and financial flexibility.

Our analysis of these risks encompasses our review of environmental, social, and governance risks that currently exist. The ongoing pandemic and the social risk arising from it have led to social distancing measures being implemented and shelter-in-place orders being issued by state and local governments in order to limit the virus' spread. As a consequence, the local economy has been negatively affected, most notably through unemployment, disruptions in consumer spending, and operations at the port. Port facilities did not sustain material damage during Hurricane Harvey, but we acknowledge the environmental risks that Harris County and Houston

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face, as the area is susceptible to future significant extreme weather events.

The stable outlook is based on our view that the port's financial metrics will be maintained, despite the potential effects of the pandemic on recent and near-term tonnage trends and associated revenue. We believe the port's historically high financial margins and property tax revenue are mitigating factors that will allow PHA to maintain a financial profile near historical levels.

We do not anticipate raising the rating during the two-year outlook period given our expectation that financial metrics will remain near current levels.

We could lower the rating if the authority issues significant additional debt above our expectations with the net revenue pledge, which significantly lowers projected DSC and debt to net revenue.

Related Research

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

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