

City of Houston, Texas Airport System

Subordinate Lien Revenue Refunding Bonds
Series 2021A (AMT)
Investor Presentation



MAY 28, 2021

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Except where noted, the information provided in the Investor Presentation is derived from the Preliminary Official Statement and the appendices thereto.

MISSION, VISION & HAS OVERVIEW

HOUSTON AIRPORT SYSTEM (HAS)

MISSION AND VISION



MISSION

We exist to connect the people, businesses, cultures and economies of the world to Houston.

VISION

Establish Houston Airport System as a 5-star global air service gateway where the magic of flight is celebrated

HAS OVERVIEW

The Houston Airport System is an enterprise system of the City of Houston and is currently comprised of the following facilities, each of which the City manages, owns and operates through the Houston Airport System: George Bush Intercontinental Airport/Houston, William P. Hobby Airport and Ellington Airport.

George Bush Intercontinental (IAH)

- 159 Destinations: non-stop service to 108 domestic destinations and 51 international destinations (June 2021)
- Supports more than 141,000 local jobs and contributes more than \$27.3 billion to the local economy
- 2nd busiest of United Airlines' principal domestic airport hubs, the world's second-largest airline
- 14th busiest airport in the United States based on enplaned passengers in CY2019 (per FAA)

William P. Hobby (HOU)

- 64 Destinations: service to 59 domestic and 5 international destinations within U.S., Mexico, Latin America and the Caribbean (June 2021)
- Supports more than 36,000 local jobs and contributes more than \$5.8 billion to the local economy
- 1st airport in Texas to have biometric entry and exit
- 7th busiest airport in Southwest's network
- 36th busiest airport in the United States based on enplaned passengers in CY2019 (per FAA)

Ellington (EFD)

- Active general and private aviation airport that became home to the nation's 10th licensed commercial spaceport in June 2015
- Astronauts from the world-renowned Johnson Space Center receive ongoing space training at EFD
- Supports more than 13,000 local jobs and contributes more than \$3.3 billion to the local economy
- Home to Axiom's planned 400,000 sq. ft. facility to be used to build and launch the world's first commercial space station module in late 2024
- Home to Collins Aerospace's planned 116,000 sq. ft. manufacturing laboratory and accelerator space facility
- Supports operations of U.S. Military, Homeland Security, NASA and general aviation

RECOVERY & RESILIENCE

IMPACT OF COVID-19 PANDEMIC - REVENUES

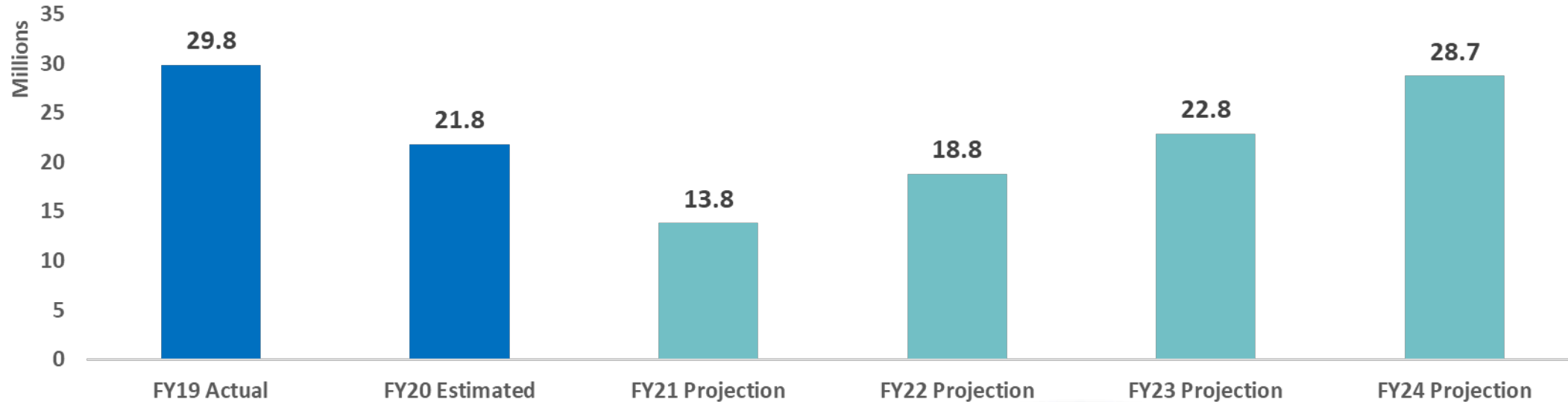
(in millions)	FY19 (Actual)	FY20 (Actual)	FY21 (Projection)
Airline Revenues	\$269.3	\$286.1	\$194.8
Non-Airline and Other Revenues	\$248.9	\$205.4	\$125.9
Gross Revenues	\$518.2	\$491.5	\$320.7
Operating Expenses	\$315.2	\$314.0	\$303.3
Days Cash on Hand	562	495	606



- HAS's goal of 450 or more Days Cash on Hand, as set in our Strategic Plan, is met in our short-term projections
- HAS airline use and lease agreements charge airlines based on a compensatory cost allocation, whereby airline fees equal HAS's operating and capital costs allocable to the airlines based on aircraft landed weights, enplaned passengers, deplaned passengers and area occupied within the airport. Therefore, airline revenues increase or decrease based on changes in operating and capital costs rather than changes in passenger enplanements and did not change due to the COVID-19 Pandemic.

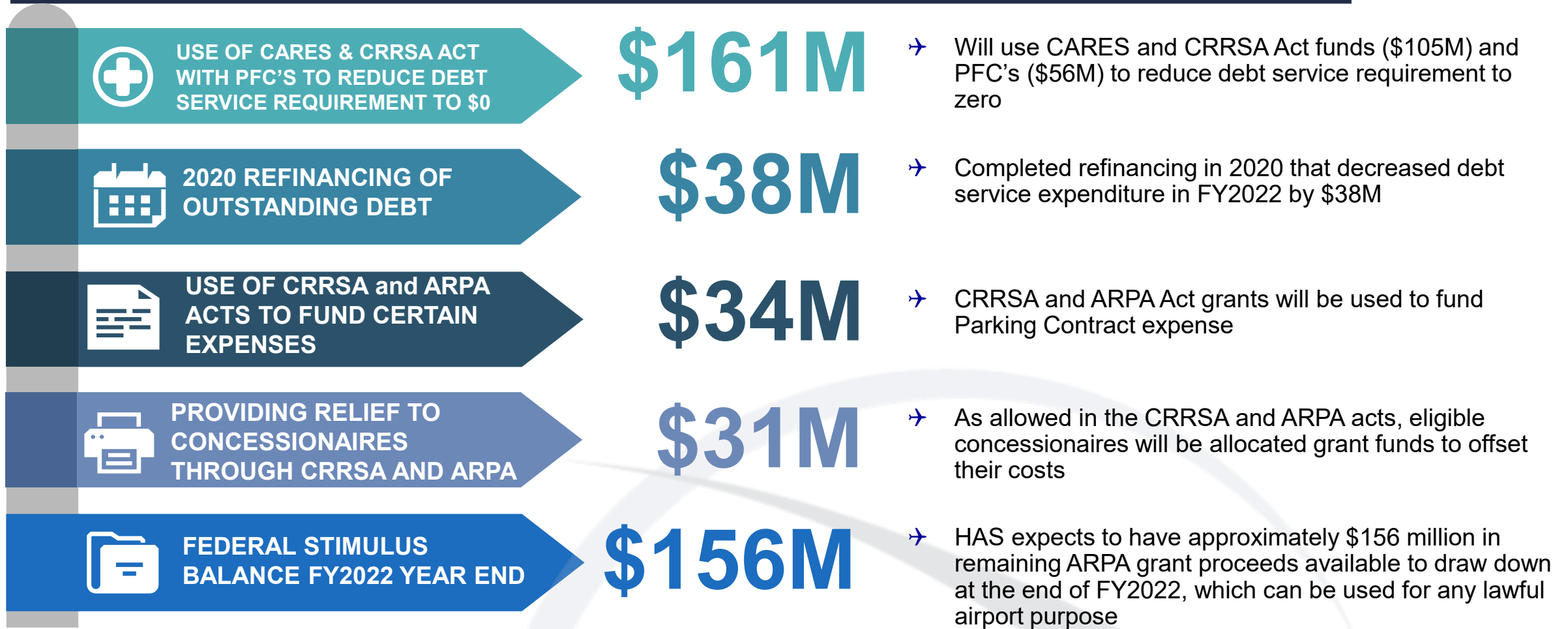
HAS

RECOVERY AND RESILIENCE - ENPLANEMENTS



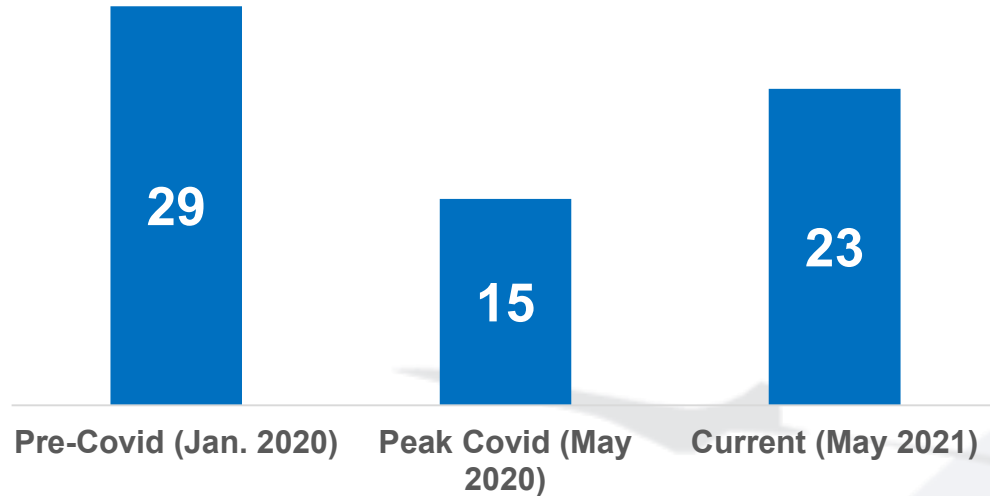
- HAS projects it will approach pre-pandemic traffic levels in FY24
- Our Preliminary Capital Improvement Plan for Fiscal Years 2022 – 2026, which we anticipate will be proposed for City Council consideration later in June 2021, has been reduced by over \$1 billion to minimize the use of unrestricted cash to fund capital projects and to allow for the recovery of passenger traffic prior to commencement of large expansion project
 - HAS currently intends to complete a feasibility study before seeking to materially increase our Capital Improvement Plan

FY2022 RESPONSE TO COVID-19 PANDEMIC - FINANCIAL

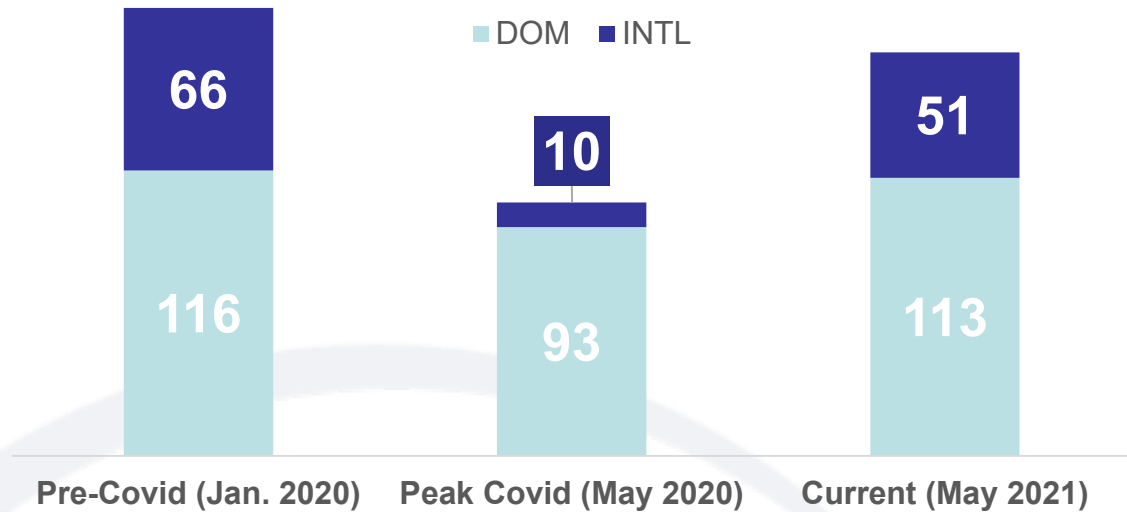


AIR SERVICE UPDATE

COVID Impact - Airlines Serving Houston



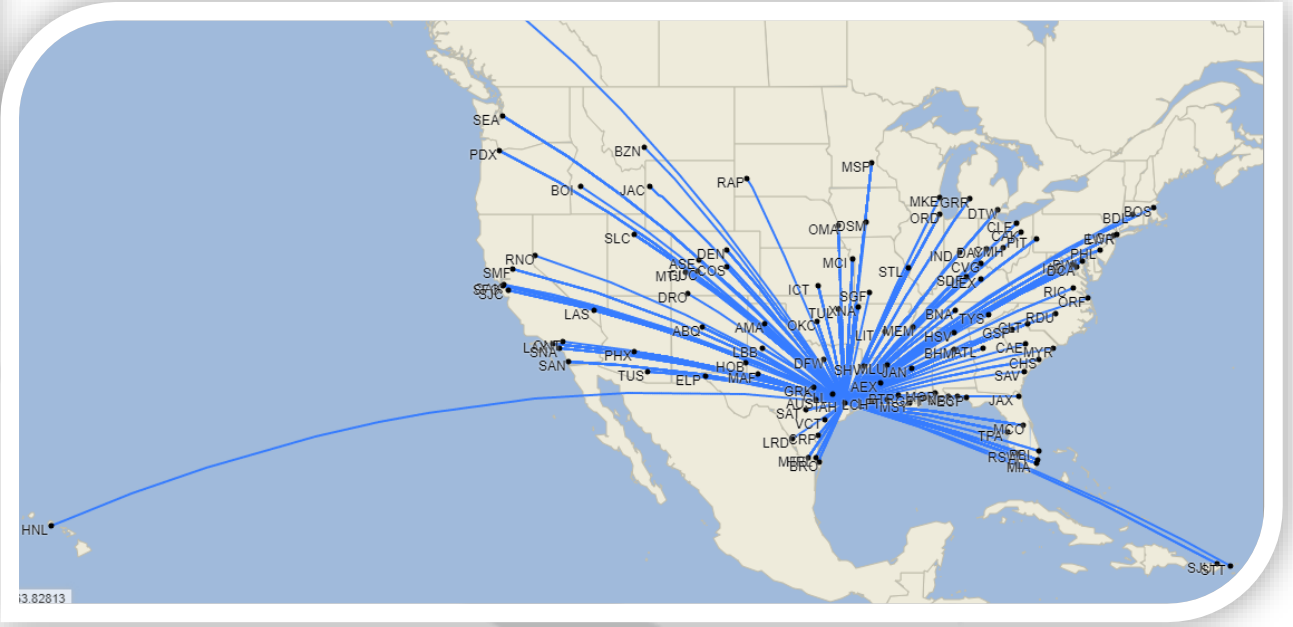
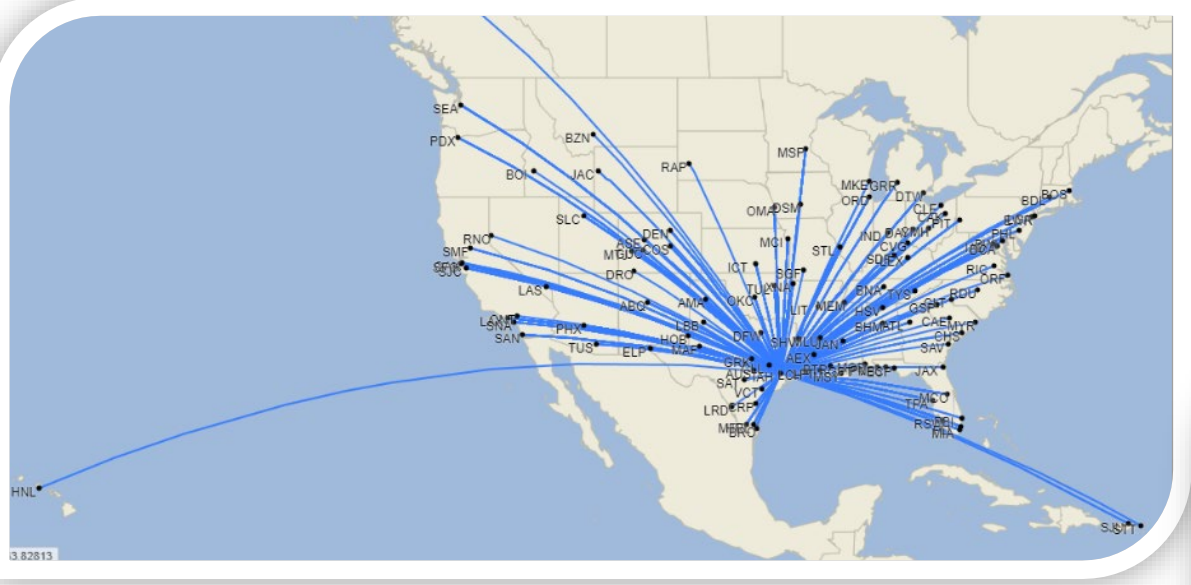
COVID Impact - Destinations



- United Airlines at IAH has recovered 69% of pre-Covid seat capacity (May 2021 vs. May 2019)
- Southwest Airlines at HOU has recovered 79% of pre-Covid seat capacity (May 2021 vs. May 2019)
- Airlines have initiated new service in Houston since the pandemic:
 - Allegiant Airlines (HOU, June 2020), Southwest Airlines (IAH, April 2021), Sun Country Airlines (IAH, May 2021)

HAS IAH NON-STOP DOMESTIC DESTINATIONS

PRE – Covid Snapshot (May 2019)



Current Snapshot (May 2021)

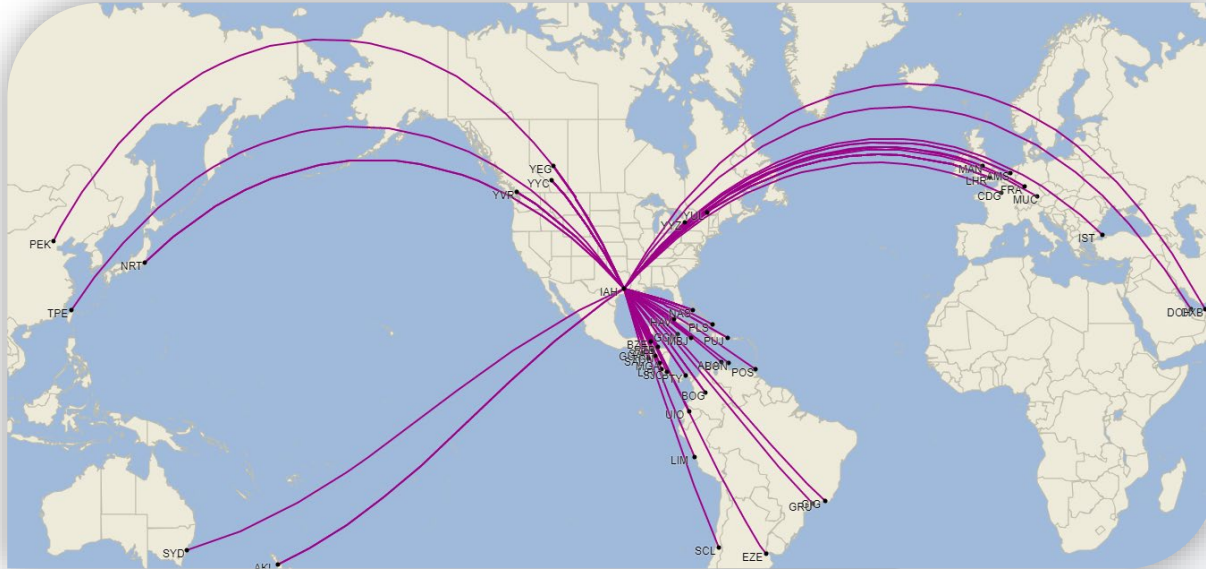
Source: DIIO flight schedule



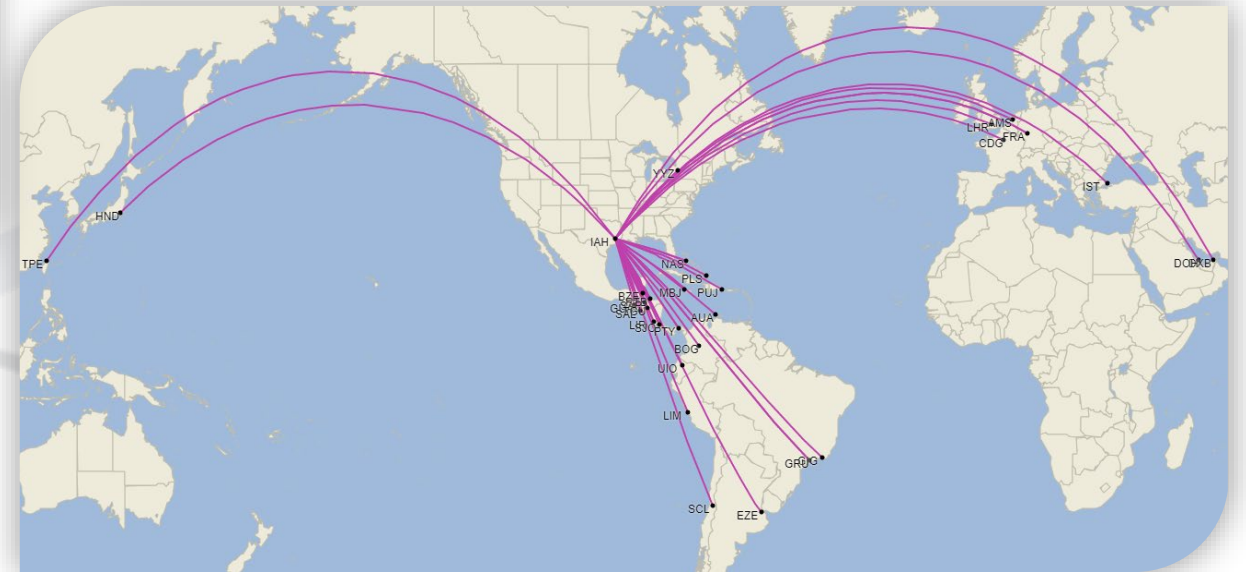
HAS

IAH NON-STOP LONG HAUL INTERNATIONAL DESTINATIONS

- Slow recovery in non-stop long haul international destinations with 14 fewer destinations (May 2021 vs May 2019)
 - Australasia and Canada have not returned as of May 2021



PRE – Covid Snapshot (May 2019)

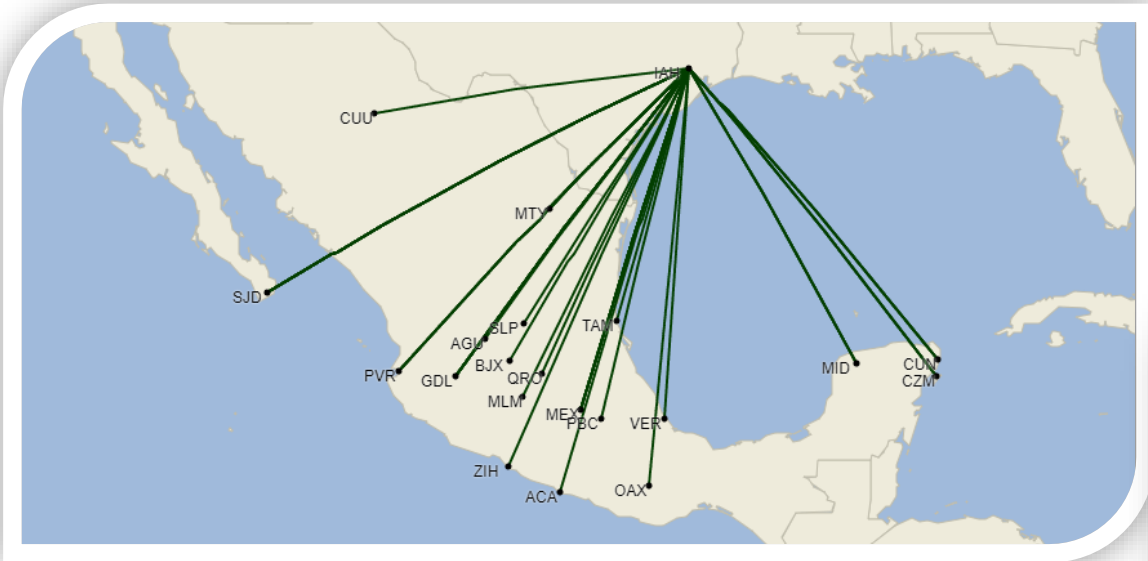


Current Snapshot (May 2021)

HAS

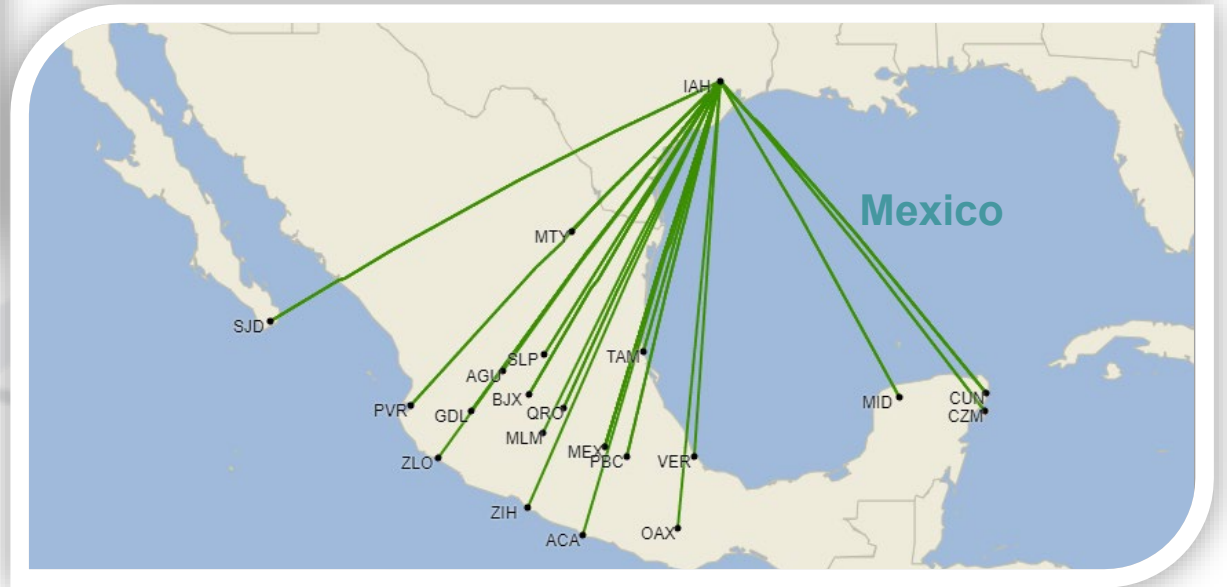
IAH NON-STOP DESTINATIONS - MEXICO

- Mexico, the main international travel destination, increased by 1 destination (May 2021 vs May 2019)



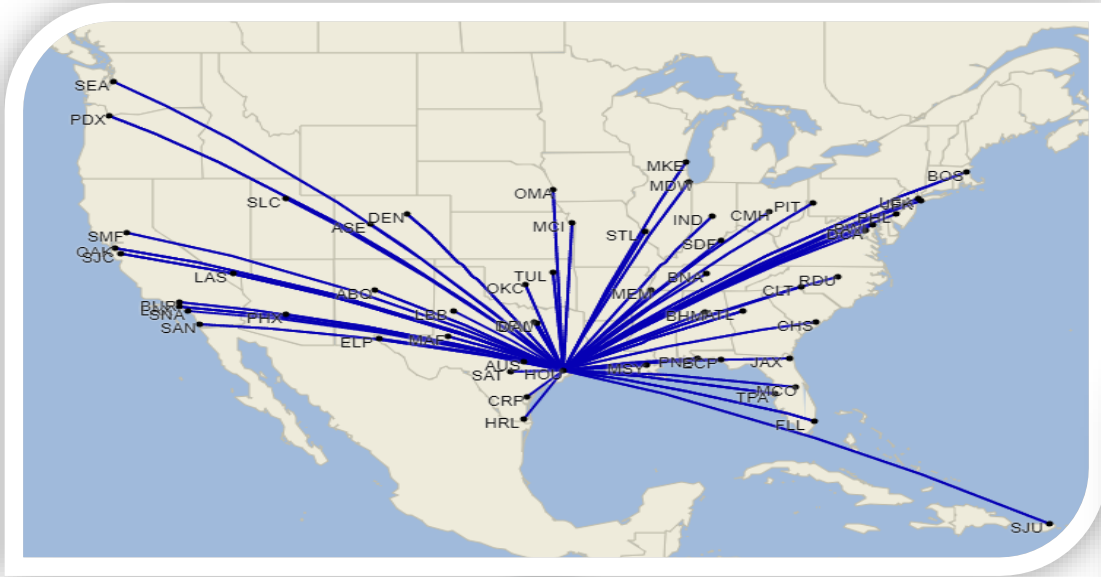
Current Snapshot (May 2021)

PRE – Covid Snapshot (May 2019)



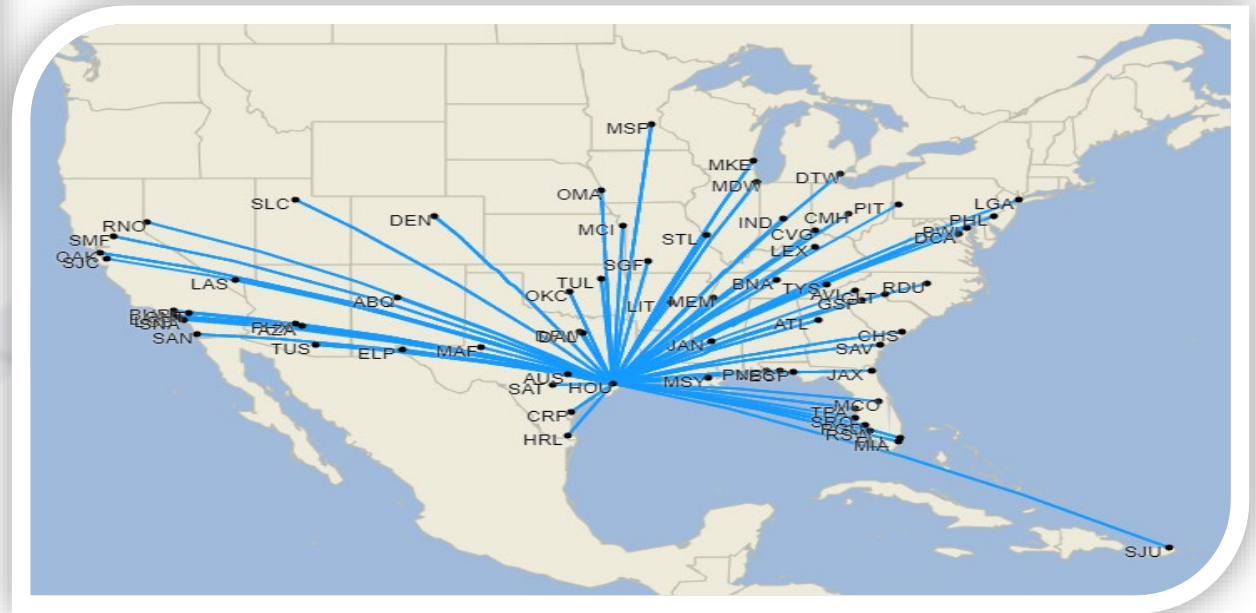
HAS HOU NON-STOP DOMESTIC DESTINATIONS

- 8 new domestic destinations at HOU (May 2021 vs May 2019)



Current Snapshot (May 2021)

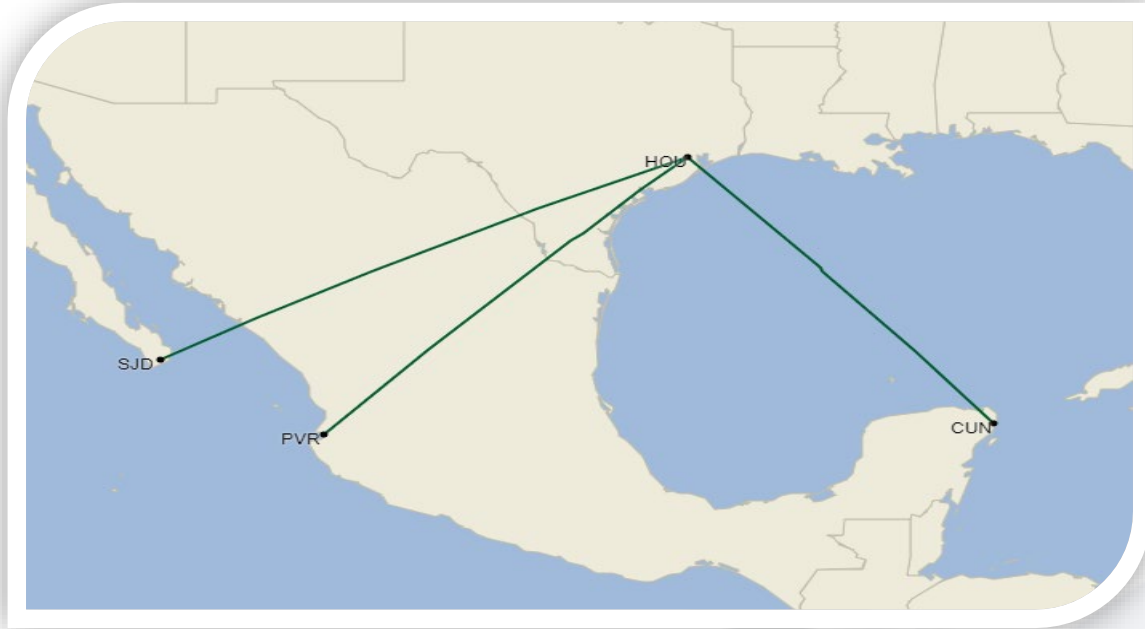
PRE – Covid Snapshot (May 2019)



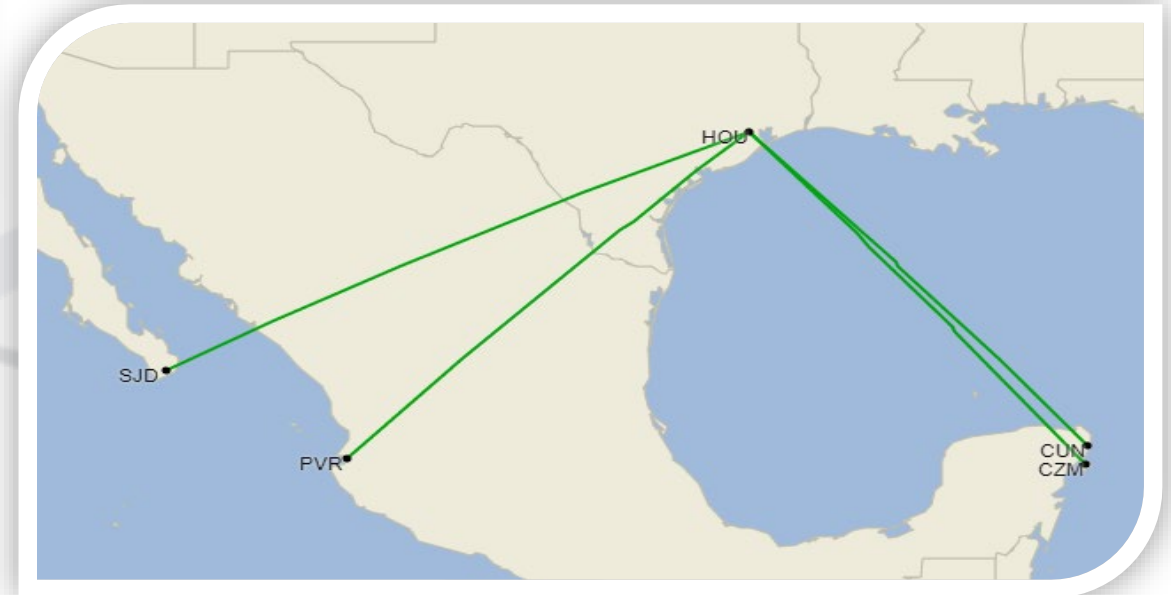
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HOU NON-STOP DESTINATIONS - MEXICO

- Cozumel is the new Mexico destination from HOU (May 2021 vs May 2019)



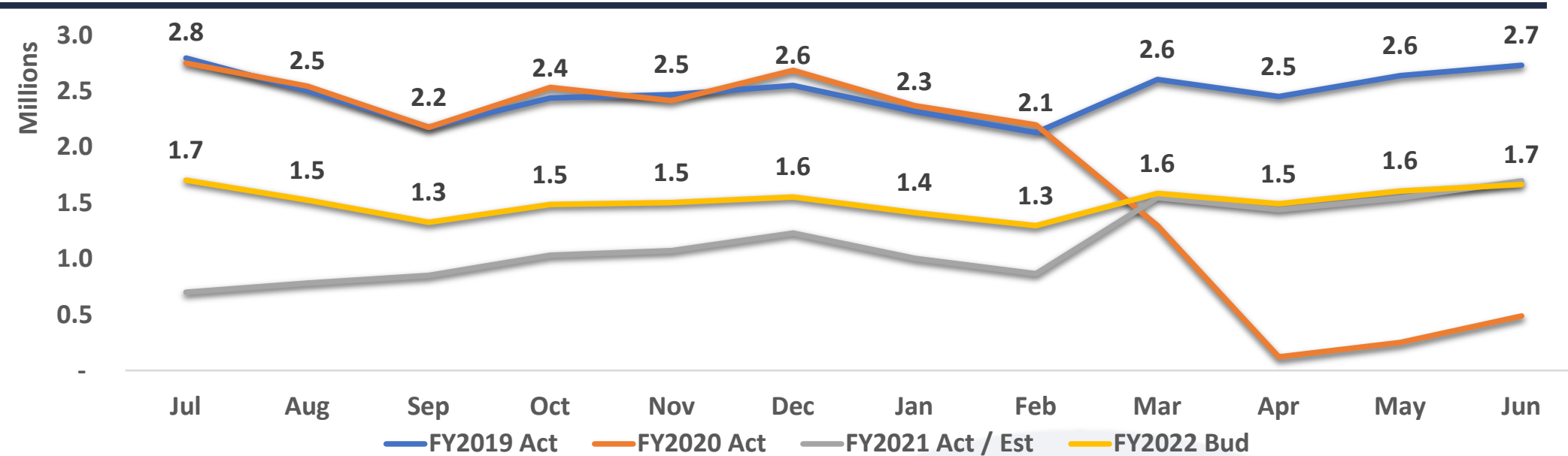
PRE – Covid Snapshot (May 2019)



Current Snapshot (May 2021)

HAS

MONTHLY ENPLANED PASSENGER TREND



- HAS's projected enplanements of 18.2 million for FY22 are conservative when compared to FY19
- The average monthly enplanement is 60% of FY19 through FY22
- Passenger traffic has rebounded to this level in the 4Q FY21 estimate

*FY2021 Apr – Jun enplanements are estimates

Source: HAS data

HAS

PASSENGER & REVENUE PROJECTIONS

(in millions)	FY19 (Actual)	FY20 (Actual)	FY21 (Projection)	FY22 (Projection)	FY23 (Projection)	FY24 (Projection)
Airline Revenues	\$269.3	\$286.1	\$194.8	\$266.5	\$296.8	\$315.2
Non-Airline and Other Revenues	\$248.9	\$205.4	\$125.9	\$169.7	\$197.7	\$238.6
Gross Revenues	\$518.2	\$491.5	\$320.7	\$436.2	\$494.5	\$553.8
Enplanements (in millions)	29.8	21.8	13.8	18.2	22.8	28.7

- FY21 and FY22 Airline Revenue are shown net of CARES Act offsets (\$95M and \$25M, respectively)
- Non-Airline and Other Revenues are projected to grow at an annual rate of 24% from FY21 to FY24
- Enplanements are projected to grow at an annual rate of 28% from FY21 to FY24 largely based on analysis released by IATA (International Air Transport Association) on July 28, 2020
 - HAS continues to use relatively conservative enplanement projections for planning purposes
- Gross Revenues are projected to return to pre-pandemic levels between FY23 and FY24

MAJOR PROJECTS & CIP FUNDING

HAS

MAJOR CAPITAL PROJECTS



International Terminal – Central Processor

Budget - \$508M

Timeline – CY24

- Construct new facility where all foreign flag airlines and United international passengers arrive and depart
- Baggage improvements and modifications
- Arrivals/Departures curbside and roadway modifications
- Enabling projects (demolition, utilities, roadways, etc.)



International Terminal – North Concourse

Budget - \$530M

Timeline – CY23

- Construct a new D-West Pier (to be completed in CY22)
- Refurbish and re-life system in Terminal D
- Construct arrivals corridor connecting the existing sterile corridors
- Enabling projects (demolition, apron works, utilities, etc.)

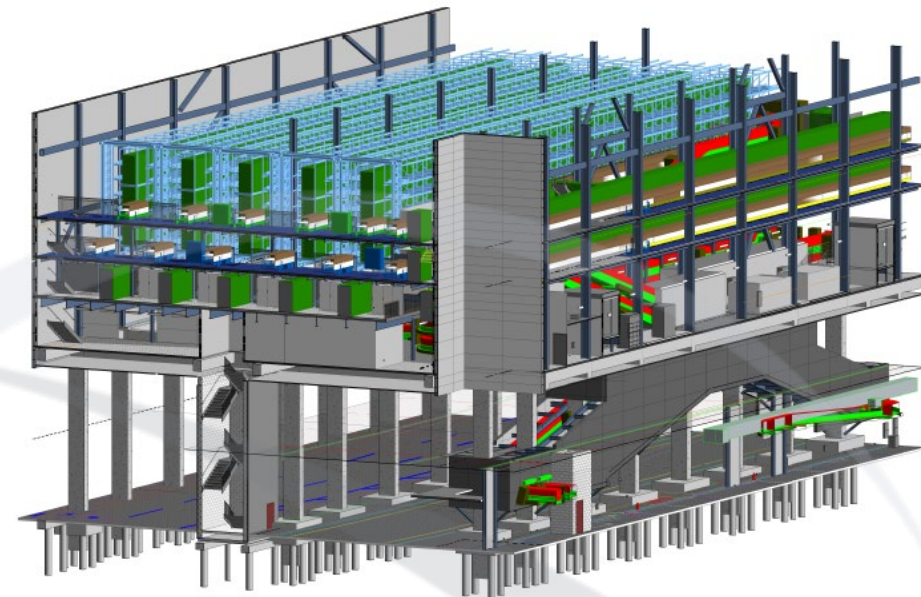
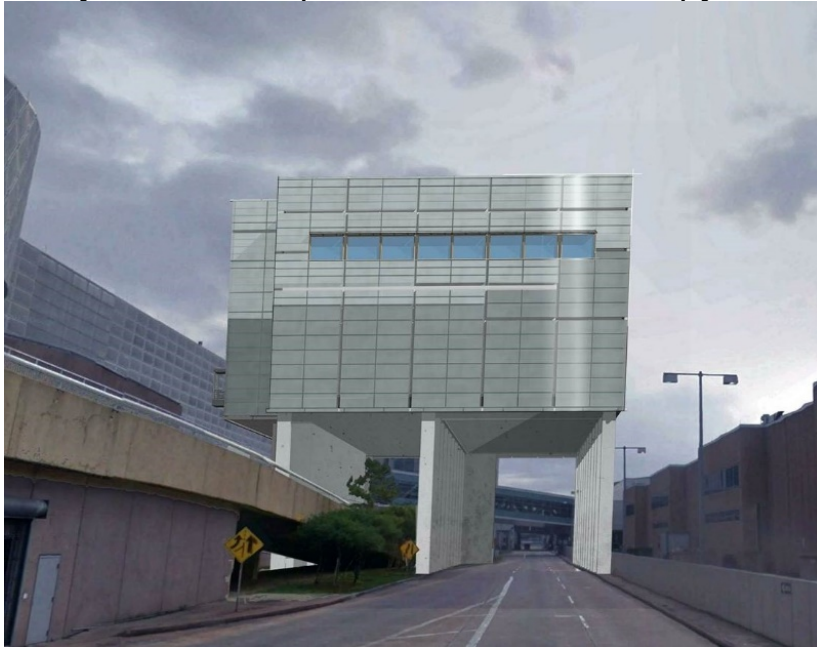
*Amounts presented reflect estimated total project costs and include amounts already spent and/or appropriated prior to the Fiscal Years 2022-26 Capital Improvement Plan being proposed.

HAS

MAJOR CAPITAL PROJECTS (CONTINUED)

Early Baggage Storage System for Terminals C and E to be installed by United - \$64M
Timeline – Operational in first quarter of CY 2023

- Meant to store bags arriving at the airport more than 2 hours before departure
- Capable of storing and processing 3,300 bags
- Will connect to baggage handling system via four conveyor belts, two in and two out
- Facility will be multiple levels and will occupy about 73,000 sf



PRELIMINARY CAPITAL IMPROVEMENT PLAN FUNDING SOURCES

Funding Source*	FY2022-2026 (\$'s in millions)
Airport Improvement Fund	\$115.5
Renewal and Replacement Fund	2.3
Bonds/Commercial Paper	955.5
Pay-Go PFCs	100.0
AIP/FAA Grants	232.5
Total CIP Spend	\$1,405.8

*CIP funding sources, as shown, are subject to approval and are subject to change based on the above mentioned items.

- CIP funding sources, as shown, are based on the Preliminary Capital Improvement Plan for FY 2022-2026 which we anticipate will be proposed for City Council consideration later in June 2021. The plan was materially reduced from the FY2021-2025 Capital Improvement Plan due to conditions caused by the COVID-19 pandemic
 - Funding sources are preliminary and subject to change
 - The Houston Airport System will continue to monitor the level of appropriation and spending in FY22 and may reduce further if traffic levels do not return to projected levels
 - The Houston Airport System engaged a firm May 2021 to prepare a feasibility study to identify opportunities to expand the proposed Capital Improvement Plan as well as help determine the timing and size of future debt issuances

FINANCIAL UPDATE

HAS

DEBT SERVICE COVERAGE RATIO TREND & PROJECTION

(\$'s in millions)	FY17	FY18	FY19	FY20	FY21 Forecast
Airline Revenues	\$280.9	\$287.9	\$269.3	\$286.1	\$194.8
Non-Airline and Other Revenues	\$229.6	\$234.5	\$248.9	\$205.4	\$125.9
Gross Revenues	\$510.5	\$522.4	\$518.2	\$491.5	\$320.7
Operations and Maintenance Exp.	\$254.5	\$326.9	\$315.2	\$314.0	\$303.3
Net Revenues	\$256.0	\$195.5	\$203.0	\$177.5	\$17.4
Gross Subordinate Lien Debt Service ¹	\$175.0	\$174.5	\$176.3	\$180.7	\$154.3
Less: Passenger Facility Charges	(\$54.7)	(\$50.6)	(\$60.6)	(\$55.0)	(\$57.7)
Less: Grants				(\$14.2)	(\$96.6)
Net Sub Lien Debt Service	\$120.4	\$123.8	\$115.7	\$111.5	\$0²
Debt Service Coverage Ratio	2.13x	1.58x	1.76x	1.59x	N/M²

1 – There is currently no long-term senior lien debt service outstanding

2 - Annual debt service requirement for Subordinate Lien Bonds, net of PFCs, will be paid by CARES Act, reducing debt service requirements, as defined in master bond ordinance, to zero.

HAS

USE OF \$458M IN FEDERAL GRANT FUNDING



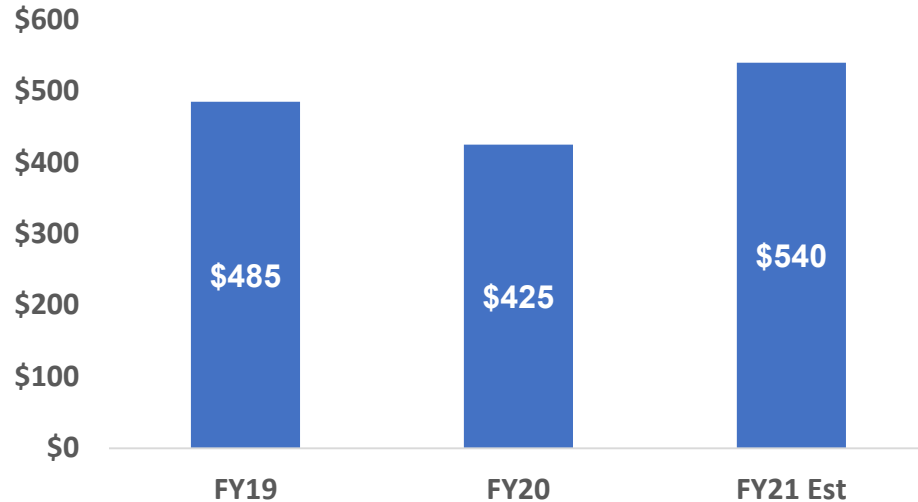
Grants –
\$458 Million

- Houston Airports awarded an estimated \$458M through CARES Act and other grants approved by the federal government
- FY20 - HAS used approximately \$8M to pay debt service
- FY21 – HAS expects to use approximately \$125M to pay parking contract costs and debt service expenditures
- FY22 – HAS expects to use approximately \$31M (specifically set aside by the federal government to provide relief to concessionaires per CRRSA and ARPA) to credit concessionaires operating during the pandemic, approximately \$104.5M to pay debt service expenditures and approximately \$34 million to cover parking contract costs
- After FY22, HAS expects to have approximately \$156M in grant proceeds remaining to be used for any lawful airport purpose

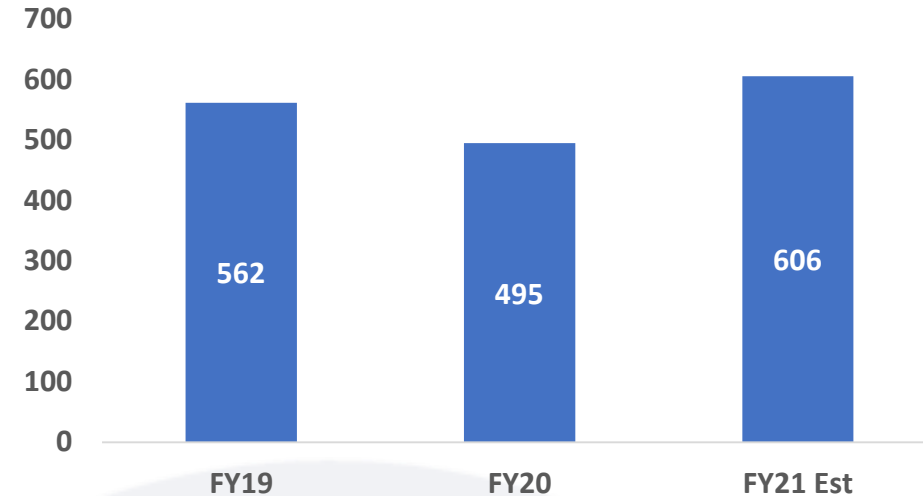
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AVAILABLE CASH & DAYS CASH ON HAND

AVAILABLE CASH (in millions)



DAYS CASH ON HAND

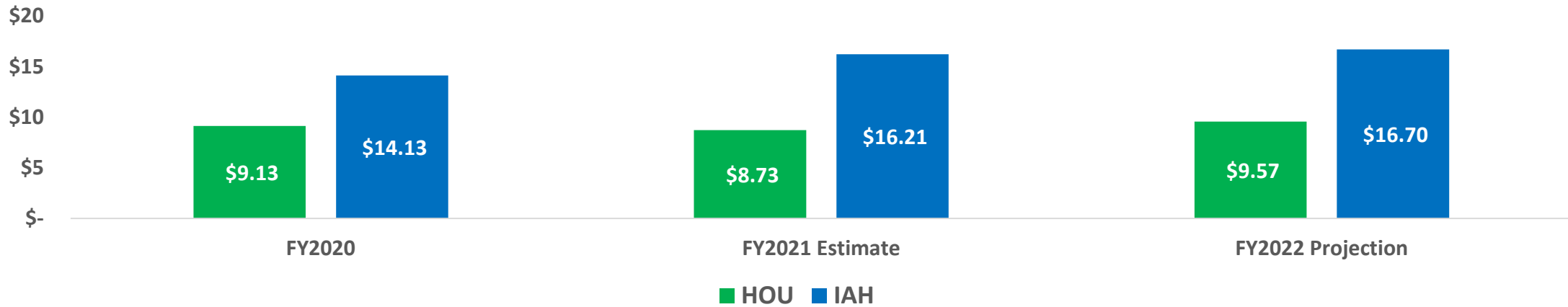


- ➔ Cash available for operations decreased by \$60 million FY19 to FY20, primarily due to airline payment deferrals caused by the COVID-19 Pandemic
- ➔ Cash available for operations expected to increase in FY21 due to use CARES Act grant proceeds and collection of deferred payments
- ➔ Days Cash on Hand declined in FY20 due to airline revenue deferrals and 4Q revenue impacts
- ➔ Days Cash on Hand for FY21 is expected to increase significantly versus FY20 due to use of CARES Act proceeds and collection of deferred payments

*Estimates and projections are preliminary and subject to change.

HAS

PROJECTED CPE BY AIRPORT



- HAS made use of CARES Act proceeds to offset approximately \$95M in costs to the airlines in FY21 primarily in the form of capital project amortization expense with some O&M expense reductions
- Absent the CARES Act proceeds offset, FY 21 CPE's are estimated to be \$23.84 for IAH and \$12.84 for HOU
- In FY22, approximately \$25M in CARES Act proceeds will be used in an effort to keep the CPE for international passengers flat versus FY21 as international passenger levels continue to lag domestic passenger levels in their recovery rate

*Estimates and Projections are preliminary and subject to change.

HAS

TRANSACTION SUMMARY

	Series 2021A (AMT)
Par Amount*:	\$295,000,000*
Pricing*:	June 8, 2021*
Closing*:	June 22, 2021*
Security:	The Series 2021A Bonds are special obligations of the City which, together with the Outstanding Subordinate Lien Bonds and any Additional Subordinate Lien Bonds hereafter issued, are payable from, and equally and ratably secured by, a lien on the Net Revenues of the Houston Airport System, subject and subordinate to the prior and superior lien of Outstanding Senior Lien Obligations and Additional Senior Lien Obligations, if any, all as defined in the Ordinance, and certain Funds established pursuant to the Ordinance
Use of Proceeds:	(i) refund certain Outstanding Senior Lien Notes and (ii) pay related costs of issuance of the Series 2021A Bonds
Ratings:	Moody's: A1 / Kroll: AA-
Call Feature*:	July 1, 2031* at Par
Interest Payments*:	January 1 and July 1, commencing January 1, 2022
Maturity Dates*:	2023 – 2048*
Tax Status:	Tax-Exempt, Subject to AMT

Financing Highlights

- Subordinate Lien bonds
- No Senior Lien Bonds are outstanding
- Series 2021A: Approximately \$345M of outstanding Senior Lien Commercial Paper Notes will be refunded as subordinate lien fixed rate debt (AMT)

*Preliminary, subject to change

HAS CONCLUSION

- Houston is the most populous city in Texas and the 4th most populous in the United States
- Second fastest growing MSA in the US
- US energy headquarters and largest medical complex in the world
- While COVID-19 severely impacted HAS operations, reaching a low in May 2020, monthly activity through March 2021 shows that both IAH and especially HOU are recovering with pre-COVID-19 levels expected by FY2025
- \$458M of COVID related grant funding coupled with budgetary actions and structured refunding savings has enabled the System to weather the pandemic
- Substantial liquidity position with days cash on hand for FYE21 projected at 606 days



HAS

PRICING SCHEDULE AND CONTACT INFO

Financing Timetable

Event	Date
Release Series 2021 POS	June 1, 2021*
Price Series 2021A Bonds	June 8, 2021*
Close Series 2021A Bonds	June 22, 2021*

Contact Information

Houston Airport System and City of Houston

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*Preliminary, subject to change