

## Greater Orlando Aviation Authority, FL

<b>Issuer: Greater Orlando Aviation Authority, FL</b>		
<b>Assigned</b>	<b>Rating</b>	<b>Outlook</b>
Airport Facilities Revenue Bonds, Series 2022A (AMT) of the City of Orlando, Florida	AA	Stable
Airport Facilities Revenue Bonds, Series 2022B (Taxable) of the City of Orlando, Florida	AA	Stable
Airport Facilities Refunding Revenue Bonds, Series 2022C (AMT) of the City of Orlando, Florida	AA	Stable
Airport Facilities Refunding Revenue Bonds, Series 2022D (Non-AMT) of the City of Orlando, Florida	AA	Stable
Airport Facilities Refunding Revenue Bonds, Series 2022E (Taxable) of the City of Orlando, Florida	AA	Stable
<b>Affirmed</b>	<b>Rating</b>	<b>Outlook</b>
Airport Facilities Revenue Bonds, Series 2019A (AMT) of the City of Orlando, Florida	AA	Stable

### **Methodology:**

[U.S. General Airport Revenue Bond Rating Methodology](#)  
[ESG Global Rating Methodology](#)

### **Analytical Contacts:**

Linda Vanderperre, Senior Director  
 +1 (646) 731-2482  
[linda.vanderperre@kbra.com](mailto:linda.vanderperre@kbra.com)

Peter Scherer, Associate Director  
 +1 (646) 731-2325  
[peter.scherer@kbra.com](mailto:peter.scherer@kbra.com)

**Rating Summary:** The Airport Facilities Revenue Bonds (GARBS), Series 2022 (the Series 2022 Bonds) are payable from a first lien on net income and revenues of the Greater Orlando Aviation Authority (GOAA or the Authority) from operation of the Airport System. Certain PFC revenues will be designated as 2022 Available PFC Revenues for payment of a portion of the debt service on the Series 2022 Bonds. The Series 2022 Bonds will also be secured by the composite reserve subaccount, which secures \$1.64 billion parity Senior Bonds outstanding as of December 31, 2021.

Proceeds of the Series 2022A (AMT) and Series 2022B (Taxable) Bonds will primarily be used to i) finance a portion of the costs of completion of the new 15-gate South Terminal Complex (STC) at Orlando International Airport (the Airport or MCO); ii) refinance draws on certain outstanding lines of credit; and iii) fund a deposit to the composite reserve account. Proceeds of the Series 2022C (AMT), Series 2022D (Non-AMT) and Series 2022E (Taxable) Bonds, together with other Authority funds, will refinance all or a portion of the Authority's outstanding Series 2011B-D and Series 2012 A Bonds.

MCO is the second largest origin and destination (O&D) market in the U.S. and the top O&D market in Florida. The rating reflects the Airport's unique air service market, which features a substantial leisure and hospitality component, a rapidly growing population base, and an expanding, diversifying economy. Prior to the COVID-19 crisis, these factors contributed to solid O&D passenger traffic growth, an absence of carrier concentration, consistent annual enplanement growth and sound financial metrics.

TSA traffic counts at MCO, as at other major U.S. airports, plummeted with the outbreak of the COVID-19 pandemic in March 2020. Traffic recovery began with the reopening of Orlando area theme parks in July 2020. Full FY 2020 passenger enplanements (through September 30, 2020)

were 14.54 million, down 41.5% compared to FY 2019.

By September 2020, however, the rate of increase in MCO's weekly TSA passenger throughput began to outpace that of large hub and U.S. airports overall, reflecting the relatively robust rebound in U.S. leisure travel compared to business travel. Traffic at MCO has continued to recover, fueled by increased vaccine availability, pent-up demand for leisure travel, and the beginning of the region's peak travel season. Full FY 2021 passenger enplanements were 16.98 million, up 16.8% from FY 2020, but 31.6% below 2019 pre-pandemic levels. The rate of growth in passenger throughput has moderated during the first quarter of the Authority's 2022 fiscal year, likely related to the outbreak of the Omicron variant, the back-to-school period, and the unusually high level of flight cancellations experienced nationwide over the busy holiday travel period.

MCO has benefitted from domestic airline networks' pandemic-era shift to a focus on leisure travel destinations. Based on Q1 2022 advance airline schedules, MCO, which is not a fortress hub, is nonetheless the only U.S. airport ranked among the top 10 in scheduled departing seats by seven different airlines. Monthly scheduled seat capacity for the January through August 2022 period is flat to pre-pandemic 2019 levels through March 2022 but exceeds 2019 levels by 4.4% to 9.0% over the following five months (through August 2022). The Airport currently serves 99 domestic locations, up from 98 in FY 2019, and recently added non-stop domestic service to 12 new markets. All net new markets were added by ultra-low-cost carriers (ULCC).

FY 2021 (unaudited) operating revenue of \$428.7 million was the lowest in six years, down 25.9% compared to FY 2019, as the pandemic continued to negatively impact airline and non-airline revenue sources. A 9.4% reduction in operating expenses before depreciation limited FY 2021 operating losses to \$10.5 million. The Authority was awarded a total of \$383.8 million in Federal COVID-19 funding relief. Approximately \$223 million of federal stimulus funding received by the Authority was used to reimburse existing lines of credit that defeased a combined \$202.5 million in principal amount of non-PFC supported Senior and Subordinate GARBs and related interest. The defeasance achieved \$33 million in savings through FY 2032, contributing to strong financial metrics. FY 2021 (unaudited) debt service coverage, excluding transfers, was 5.72x for Senior Bonds,

5.35x for Priority Subordinated Bonds and 1.57x on an aggregate basis. Liquidity balances increased during the pandemic to an exceptional at 877 days cash on hand (DCOH) as of FYE 2021 (unaudited).

The \$2.8 billion South Terminal C addresses capacity issues at MCO. It is 87% complete with essentially no remaining construction risk and is scheduled to open in the summer of 2022 with capacity of 11 million annual passengers. In response to evolving traffic recovery projections, the Authority has scaled down the demand-driven 2021-2027 CIP on several occasions since the outset of the pandemic, lowering it from \$4.12 billion to \$3.58 billion. Upon the issuance of the Series 2022 Bonds, most of the \$2.56 billion in planned bonding for the CIP will have been issued. Additional bonding of approximately \$124.5 million in FY 2023 will complete the bonding component of the 2021-2027 CIP.

MCO's FY 2021 all-airline cost per enplanement (CPE) of \$7.71 (down from a pandemic-related spike to \$9.95 in FY 2020) is very low for a large O&D hub and is forecast to remain be in the \$12.00 range by FY 2025. KBRA's stress case scenario assumes that MCO's November 2021 level of enplaned passenger activity persists through May 2022, recovering gradually thereafter. In our view, projected airline cost increases remain very manageable under this stress case.

The Stable Outlook reflects the strong rebound, to-date, in MCO passenger activity and airline and non-airline revenues. The outlook considers MCO's unique air service market, which we expect will continue to benefit from a resurgence in domestic leisure travel over the longer term, despite the potential for near-term disruptions due to ongoing international travel restrictions and recent spikes in the incidence of coronavirus cases.

### Key Credit Considerations

The rating was assigned because of the following key credit considerations:

- Credit Positives
  - Historically favorable airline traffic growth supported by MCO's unique market position as a premier global tourist destination, rapidly expanding metropolitan population, and diversifying economic base.
  - Mainly O&D passenger base with highly diverse airline mix; limited carrier concentration.
  - Sound financial operations derive significant support from non-airline sources. CPE is relatively low.
- Credit Challenges
  - The continued dominance of the Authority's leisure and hospitality base represents a vulnerability during a severe economic downturn or exogenous event such as the COVID-19 pandemic.

### Rating Sensitivities

- Sustained recovery in enplanement growth with accompanying strong performance of aviation and non-aviation revenues. +
- Completion of capital program on time and within budget.
- Weak or prolonged recovery in airline activity and passenger volumes. -
- Trend of diminished liquidity levels and/or debt metrics.

Key Airport Ratios FYE September 30			
Airport Activity	2019	2020	2021
Top Carrier Market Share			
Southwest	21.7%	22.2%	23.6%
Spirit	11.3%	13.7%	16.9%
Delta	13.3%	12.1%	12.7%
Frontier	9.1%	10.8%	12.3%
American	11.2%	12.0%	11.8%
All Other	33.4%	29.3%	22.8%
MCO Enplanements ('000)	24,847	14,538	16,984
Δ YOY (%)		-41.5%	16.8%
Net Revenue and Debt Service Coverage (\$ 000)			
Revenues	597,900	489,998	587,193
Operating and Maintenance Expense	(305,247)	(274,526)	(257,034)
Net Revenues Available for Debt Service	292,653	215,472	330,159
Accrued Aggregate Debt Service (Senior)	129,996	128,389	128,560
Less: PFC-Supported Debt Service	(30,934)	(70,635)	(70,861)
Aggregate Debt Service (Senior)	99,062	57,754	57,699
<b>DS Coverage on Airport Facilities Revenue Bonds (Senior) Per Bond Resolution <sup>1</sup></b>	<b>2.95x</b>	<b>3.73x</b>	<b>5.72x</b>
Debt Ratios			
Debt Per Enplanement	\$ 75	\$ 197	\$ 159
Debt Per O&D Enplanement	\$ 79	\$ 208	\$ 167
MADS Per Enplanement	\$ 8.30	\$ 14.19	\$ 12.15
MADS Per O&D Enplanement	\$ 8.74	\$ 14.94	\$ 12.79

1. Excludes transfers at 25% of aggregate debt service (Senior Bonds) in the calculation of coverage.



Rating Determinants (RD)	
1. Management	Favorable
2. Economics/Demographics of the Service Area	AA-
3. Airport Utilization	AA
4. Airport Debt/Capital Needs	AA
5. Airport Finances	AA-
6. Legal Mechanics and Security Provisions	AA-

## RD 1: Management

### Management Tenure and Track Record

The Authority’s experienced management team operates one of the nation’s fastest growing airports. Authority policies and procedures inform day-to-day operations, capital planning, airline relations, financial and budgetary oversight, and business strategy.

A search is currently underway to replace the Authority’s CEO, who is scheduled to retire on January 31, 2022, after serving the Authority as CEO for over 11 years. The Authority Board is expected to select a replacement CEO by February 2022. An acting CEO may be selected during the interim between the retirement date of the current CEO and the start date of the candidate selected as the new CEO.

### Risk Mitigation

The Authority’s efforts to mitigate risks related to digital, supply chain and climate-related disruptions as well as exogenous events such as COVID-19 reflect a high level of managerial experience, preparation, monitoring, training and strategic investment. With regard to risks related to torts, theft, damage or destruction of assets, errors and omissions, employee workplace accidents or disease and natural disasters, the Authority’s risk management program involves the procurement of commercial property and liability insurance as specified by an independent risk management and insurance consultant.

### Financial Relief for Airport Partners

The Authority has provided a total of close to \$100 million in financial relief to its airline, concessionaire and rental car partners during the pandemic. Airlines were permitted to defer \$13.9 million in fixed rents from May through July, 2020. Terminal concessionaires were granted a series of MAG waivers, deferrals and CRRSA relief grant pass-throughs totaling \$53.6 million, and waivers of MAG fees from rental car companies together with CRRSA grants to rental car tenants totaled \$32.4 million.

A more detailed review of this rating determinant can be found in KBRA’s [report](#) dated September 10, 2020.

## ESG Management

KBRA typically analyzes Environmental, Social, and Governance (ESG) factors through the lens of how issuers plan for and manage relevant ESG risks and opportunities. More information on KBRA’s approach to ESG risk management in public finance ratings can be found [here](#). Over the medium-term, public finance issuers will likely need to prioritize ESG risk management and disclosure with the likelihood of expansions in ESG-related regulation and rising investor focus on ESG issues.

### Environmental Factors

GOAA’s 2014 Sustainability Management Plan (SMP) provides a roadmap for achieving various sustainability targets. These include lowering the Authority’s dependency on fossil fuels through reduced energy use, reducing consumption of potable water, preserving natural lands, limiting solid waste and diverting landfill waste to better uses, improving sustainable construction, engineering and design practices, supporting alternative transportation and improving alternative energy strategies. The SMP calls for the adoption of established sustainability rating systems and certifications, including the U.S. Green Building Council, Leadership in Energy and Environmental Design (LEED) standards, and ISO 14001. The South Terminal C has achieved a number of these objectives. In addition to LEED construction standards, other achievements to date include an active recycling program, the Energy Star building certification, energy and water conservation systems, higher efficiency HVAC systems and high efficiency lighting in airfield, garages and the terminal, oil/water separators, the integration of consolidated rental car operations into the terminal garages and the use of biofuel in buses. A compressed natural gas station is currently under construction.

The Authority formed an Environmental Solutions Group that meets regularly with groups such as the Orange County sustainability subcommittees, Green Destination Orlando, and the U.S. Green Chamber of Commerce. The group has been instrumental in implementing many of the SMP’s initiatives.



Pursuant to a 2019 agreement between the Authority and the Orlando Utility Commission (OUC), OUC will operate the energy system for the South Terminal, providing reliable energy services as well as sustainability services including floating solar facilities, GOAA-provided renewable energy credits and 67 designated electric vehicle charging connections. The energy system for the South Terminal is connected to the OUC grid.

Based on the existence of certain polluted sites on airport system property, the Authority recorded a pollution remediation liability of \$2.4 million (unaudited). The Airport is located in the vicinity of many wetland systems that traverse the property. Most airport projects of any significant size therefore require the removal and filling of wetlands. Jurisdiction for permitting and wetland impacts lies with the South Florida and St. Johns River Water Management Districts at the state level as well as with the U.S. Army Corps of Engineers at the federal level. GOAA has successfully mitigated most development areas on airport property and most of the wetland mitigation for permitted wetland impacts is now located off airport near the Disney Wilderness Preserve in Osceola County.



### **Social Factors**

The Authority's Small Business Development Department has established Minority and Woman Business Enterprise (MWBE), Local Developing Business (LDB) and/or Veteran Business Enterprise (VBE) participation requirements for most vendor solicitations. Authority staff includes women in senior and executive leadership roles in areas including technology, finance, operations, emergency management and information systems. COVID-19 safety measures include the installation of touchless passenger processing and biometric systems, and on-site clinics for vaccinations and rapid testing. MCO is the first airport to earn full accreditation by the Emergency Management Accreditation Program.



### **Governance Factors**

The Authority's three-member Information Technology Security team is responsible for maintaining systems and operations designed to deter cyberattacks on its electronic systems and responding to such attacks to minimize operational impacts. Team members hold various information security certifications. The team utilizes a layered security architecture and follows a hybrid model of frameworks, including ISO, NIST and Octave. Patch management and risk/vulnerability management efforts are executed daily to ensure that all systems are up to date and fully patched. To protect from unpatched attacks, the team follows the defense in depth paradigm. Cybersecurity awareness training is provided to GOAA users upon hire and on a monthly basis thereafter.

## **RD 2: Economics/Demographics of the Service Area**

The Orlando-Kissimmee-Sanford MSA is a leading global venue for tourism. With seven of the ten most visited theme parks in the world, the Central Florida region hosted a record 76 million visitors in 2019. However, the region is also a rapidly growing center for life sciences, health care, aerospace and defense, advanced manufacturing, and innovative technologies. Thus, while we continue to view the Airport service area as susceptible to disruption by exogenous declines in the travel, leisure and hospitality sectors, this concern is increasingly mitigated by the economic diversification and growth exhibited in the years following the Great Recession. High-wage employment sectors, including business and financial services, education and health services comprise over one third of MSA employment, far surpassing the roughly 20% share of the leisure and hospitality sector. The region's diversifying base of industries, including those with a propensity to foster travel, is a positive credit factor.

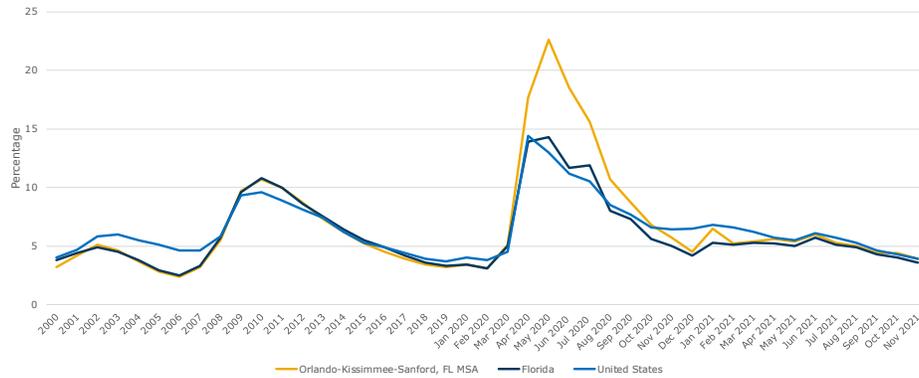
### **Employment and Unemployment**

The Orlando-Kissimmee-Sanford, Florida MSA experienced a much larger spike in unemployment in 2020 due to the pandemic than the State and U.S. overall. Unemployment in both the MSA and U.S. however finished the year lower than the U.S. overall reflecting the reopening of theme parks by July 2020 and Florida less restrictive public health response to the pandemic in the second half of the year. As of November 2021, MSA unemployment declined to 3.9%, a level higher than the State at 3.6% and on parity with that of the U.S. at 3.9%.



**Figure 1**

**Unemployment Rates**



	Orlando-Kissimmee-Sanford, FL MSA	Florida	United States
November 2021	3.9	3.6	3.9
October 2021	4.4	4.0	4.3
Great Recession Peak	10.7	10.8	9.6
Point Δ Since Great Recession Peak	-6.8	-7.2	-5.7

Source: U.S. Bureau of Labor Statistics

### Orlando Visitor Update

After closing at the outset of the pandemic, Orlando area theme parks reopened in June-July 2020 and have since operated at or near full capacity. Strong visitor attendance is attributed to pent-up demand for leisure travel, the opening of new attractions, and special inducements such as Walt Disney World’s 50<sup>th</sup> anniversary celebration, ongoing from October 2021 through April 2023. Orlando theme parks continue to expand and develop attractions and hotels designed to generate new and repeat visits by vacationers.

The significant pandemic-driven fall-off in cruise traffic from nearby Port Canaveral in Brevard County, Florida has negatively impacted air travel to MCO. While a record 4.6 million multi-day cruise passengers sailed from Port Canaveral in 2019, only 206,000 had sailed in 2021 (through October). However, the Port is budgeting for 4.1 million passengers in 2022.

Business travel, including convention travel, is another key component of leisure air travel to Orlando. Convention bookings at the 7 million square foot Orange County Convention Center, the second largest convention facility in the country, were strong prior to the sudden outbreak of the Omicron variant. Similarly, while advance hotel bookings to the Orlando area for the 2021 holiday season were 91% of 2019 levels<sup>1</sup>, actual travel during this period may have been negatively impacted by heightened pandemic-related concerns. KBRA expects that pent-up demand will contribute to increasing air travel to central Florida, provided pandemic risks abate.

A more detailed review of this rating determinant can be found in KBRA’s surveillance [report](#) date August 31, 2021.

### RD 3: Airport Utilization

MCO is the second largest O&D market in the U.S. and the largest O&D market in Florida. O&D enplanements account for approximately 95% of total enplanements. The Airport’s strong utilization profile reflects historically favorable enplanement growth, very little reliance on connecting traffic activity, and a diverse carrier mix, all of which mitigate against changes in airline route strategies. Service expansion by LCCs and ULCCs have been the drivers of increased passenger volumes at MCO in both FY 2020 and FY 2021.

FY 2021 traffic recovery at MCO, as at all U.S. airports, has been influenced by infection rates associated with new variants of the COVID-19 virus, as well as flight cancellations over the 2021 holiday period. Based on TSA throughput counts for calendar year 2021, MCO was the 4th least impacted among U.S. airports relative to 2019. Although certain pandemic-related safety protocols remain in effect, a recovery in international traffic is also underway, with international passengers reaching 45% of 2019 levels in November 2021. International passenger traffic has historically accounted for a relatively low percentage of total traffic at MCO.

### MCO Service and Destinations

In 2021, carriers at MCO provided nonstop service to 90 domestic and 26 international locations. The number of domestic destinations has increased to 99 for 2022, with all net new destinations added by ULCCs. International destinations have increased to 50 in 2022, somewhat below the 61 international destinations served in 2019 but reflecting the gradual return of international travel to and from the region. Significant service additions are scheduled in the coming months by an array

<sup>1</sup> Source: GOAA and Visit Orlando

of U.S. and foreign-flag airlines. Service to London Heathrow, an important destination in MCO's long-term strategy to position itself as a spoke between major hubs, was recently announced by both British Airways and Virgin Atlantic.

The Airport expects a total of 43 routes to be added from February 2022 through November 2022, of which 22 are domestic and 21 are international. Of the 43 services expected to be added, 4 are new destinations, 5 are existing markets into which a new airline is entering, and the remainder are a resumption of services by incumbent carriers. Of the 21 international services expected to be added, 4 are new routes and 17 are previously served. Frontier Airlines accounts for 35% of the routes to be added.

### Airline Concentration

MCO's low degree of carrier concentration reflects the Airport's heavily O&D focused traffic composition and the broad appeal of the MCO market to a range of carriers. No individual airline accounted for more than 24% of passenger enplanements in FY 2021. Frontier and Spirit, both ULCCs, have recorded notable growth in recent years, expanding their collective footprint from 6% of the MCO air market in FY 2015 to 30% in FY 2021. ULCCs and LCC carriers collectively accounted for 64% of FY 2021 domestic enplanements, contributing to competitive domestic airfares important to the Airport's leisure traveler base. (Figure 3)

MCO's highly diverse international carrier mix includes more than 25 airlines, of which 20 are foreign flag carriers.

### Value to Carriers

Load factors at MCO, which had plummeted to approximately 10% in April 2020, recovered to 2019 levels by June of 2021. The Airport-wide load factor for FY 2021 averaged 76.9%. (77.2% for the top seven carriers shown in Figure 3).

Airline yields in CY 2020, defined as airline revenue per passenger mile, were mixed and lagged the systemwide average for both Southwest by 2% and Delta by 6%, but exceeded the systemwide average of Spirit by 2%. The competitive dynamic reflects MCO's status as a highly competitive destination. MCO's low cost per enplanement and high load factors offset relatively low fares, contributing to favorable profitability for airline operations.

### Enplanement Trends

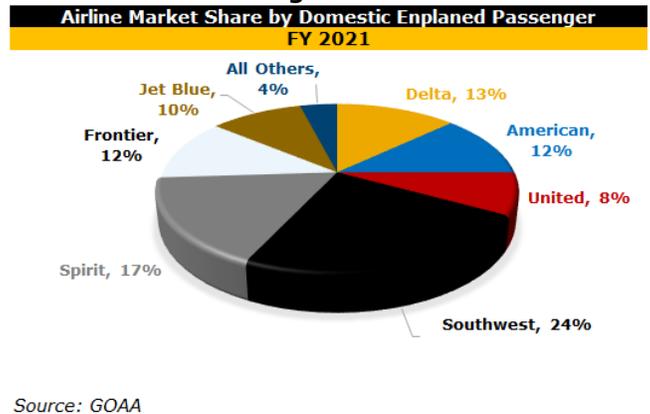
Enplanement activity growth at the Airport exceeded the overall U.S. air market over both the five and ten-year periods through 2019. In contrast, recovery following the 2007-08 financial crisis was notably weak, reflecting the largely discretionary nature of the air service market. Enplanements did not recover to their pre-crisis high until CY 2015, one year later than the U.S. air market overall<sup>2</sup>. Growth began to accelerate in 2015, however, as the nation's economic recovery firmed, discretionary travel picked up, and the Central Florida economy resumed a trend of strong population growth.

Figure 2

Top MCO Domestic Destinations by O&D Passengers						
For FYE September 30 2021						
Rank	Destination Market	% of Domestic O&D Passengers	Average Scheduled Daily Non-Stop Departures (July 2021)			# of Airlines Providing
			FY 2021	Network	Low Cost Carriers	
1	New York	10.0%	18	21	39	7
2	Chicago	5.0%	10	13	23	5
3	San Juan	4.5%	0	18	18	4
4	Washington, D.C.	4.4%	7	18	25	6
5	Philadelphia	4.3%	5	10	15	5
6	Detroit	3.4%	6	5	11	4
7	Boston	3.2%	3	7	10	5
8	Dallas/Ft. Worth	3.2%	9	10	19	4
9	Denver	2.8%	5	7	12	3
10	Atlanta	2.7%	13	7	20	4
11	Minneapolis-St. Paul	2.7%	5	4	9	5
12	Los Angeles	2.7%	8	2	10	5
13	Houston	2.4%	7	10	17	4
14	Indianapolis	1.6%	0	7	7	4
15	Hartford	1.4%	0	5	5	4
16	St. Louis	1.3%	0	7	7	3
17	Pittsburgh	1.2%	0	6	6	4
18	Providence	1.1%	0	4	4	3
19	San Francisco	0.9%	2	0	2	2
20	Buffalo	0.8%	0	3	3	3
Total Top-20 Markets		60%	98	164	262	
All Other Markets		40%	45	103	148	
Total All Markets		100%	143	266	408	

Source: GOAA

Figure 3



<sup>2</sup> Based on Federal Aviation Administration data.

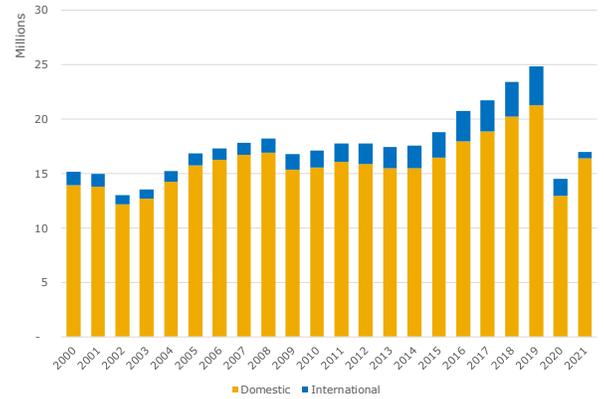
**Figure 4**

Calendar Year	Enplanements				Available Seats			
	Orlando Int'l Airport		U.S. Air Market		Orlando Int'l Airport		U.S. Air Market	
		Δ YOY		Δ YOY		Δ YOY		Δ YOY
2000	14,608		766,800		19,126		1,122,559	
2001	13,651	-6.6%	711,061	-7.3%	18,151	-5.1%	1,072,419	-4.5%
2002	13,051	-4.4%	697,376	-1.9%	16,959	-6.6%	1,036,213	-3.4%
2003	13,591	4.1%	729,868	4.7%	17,783	4.9%	1,058,870	2.2%
2004	15,447	13.7%	792,549	8.6%	19,758	11.1%	1,117,368	5.5%
2005	16,773	8.6%	826,800	4.3%	21,366	8.1%	1,134,373	1.5%
2006	17,013	1.4%	831,830	0.6%	21,409	0.2%	1,110,480	-2.1%
2007	17,799	4.6%	859,270	3.3%	22,602	5.6%	1,135,886	2.3%
2008	17,491	-1.7%	830,724	-3.3%	22,016	-2.6%	1,106,354	-2.6%
2009	16,543	-5.4%	786,434	-5.3%	20,346	-7.6%	1,035,828	-6.4%
2010	17,222	4.1%	806,647	2.6%	20,693	1.7%	1,033,755	-0.2%
2011	17,477	1.5%	822,783	2.0%	20,967	1.3%	1,046,882	1.3%
2012	17,308	-1.0%	831,418	1.0%	20,677	-1.4%	1,044,787	-0.2%
2013	17,032	-1.6%	842,613	1.3%	20,317	-1.7%	1,054,871	1.0%
2014	17,397	2.1%	868,277	3.0%	20,476	0.8%	1,069,596	1.4%
2015	18,890	8.6%	911,848	5.0%	22,386	9.3%	1,114,350	4.2%
2016	20,407	8.0%	946,332	3.8%	24,024	7.3%	1,166,508	4.7%
2017	21,706	6.4%	979,560	3.5%	25,326	5.4%	1,205,827	3.4%
2018	23,348	7.6%	1,027,167	4.9%	27,265	7.7%	1,258,422	4.4%
2019	24,789	6.2%	1,064,614	3.6%	28,851	5.8%	1,294,168	2.8%
2020	10,527	-57.5%	371,082	-65.1%	16,900	-41.4%	650,094	-49.8%
5-Yr CAGR through 2019	7.3%		4.2%		7.1%		3.9%	
10-Yr CAGR through 2019	4.1%		3.1%		3.6%		2.3%	

Source: U.S. Bureau of Transportation Statistics T-100 Database.

**Figure 5**

**Historic Enplanement Activity at GOAA**  
FYE September 30



Source: GOAA

**Pandemic Impact on Airport Activity**

The onset of the pandemic in March 2020 precipitated a sharp reduction in enplanement activity at MCO and all U.S. airports. Monthly enplanements at MCO bottomed out in April 2020, down 96.2% YoY, but by December 2020 had improved to a level down 55.5% YoY. Recovery at MCO continued through 2021, with November 2021 activity only 7.6% below same month 2019 (pre-pandemic) levels. Overall U.S. air market activity, in contrast, remained down by a somewhat larger 13.1% in November 2021 versus November 2019 based on Transit Safety Administration security checkpoint data.

**Figure 6**

	Monthly Airport Enplanement Activity			Change from Same Month in 2019	
	2019	2020	2021	2020	2021
	January	2,084,238	2,200,391	1,005,364	5.6%
February	1,946,961	2,151,015	975,947	10.5%	-49.9%
March	2,384,019	1,368,452	1,503,614	-42.6%	-36.9%
April	2,179,366	82,335	1,658,706	-96.2%	-23.9%
May	2,218,675	183,966	1,878,627	-91.7%	-15.3%
June	2,128,331	433,523	1,906,837	-79.6%	-10.4%
July	2,210,681	597,557	2,061,525	-73.0%	-6.7%
August	2,123,800	569,069	1,794,414	-73.2%	-15.5%
September	1,558,101	583,307	1,509,929	-62.6%	-3.1%
October	2,000,975	778,779	1,801,982	-61.1%	-9.9%
November	2,095,613	899,464	1,935,408	-57.1%	-7.6%
December	2,271,923	1,011,036		-55.5%	

Source: GOAA

**Cargo Operations**

The Airport’s central Florida location, broad domestic route network, access to other modes of transport and on-site Foreign Trade Zone facilitate cargo operations. Additionally, MCO accommodates the largest (Group VI) aircraft, including Boeing 747-8 and Airbus A-380-800. The Airport handled 596 million metric tons of cargo in 2020, up 2.3% versus the prior year.

A more detailed review of this rating determinant can be found in KBRA’s surveillance [report](#) date August 31, 2021.

**RD 4: Debt/Capital Planning**

**Adjusted 2021-2027 Capital Improvement Program (CIP)**

The Authority’s multi-year CIP has undergone several adjustments in response to the COVID-19 pandemic. In recognition of the weakened outlook for near to mid-term passenger demand, in August 2020, the Authority acted to right-size its capacity requirements based on revised traffic projections and to realize cost savings, lowering the previously approved FY 2018-2025 CIP budget from \$4.12 billion to \$3.76 billion. The South Terminal Complex Phase 1 Project (STC-P1), scheduled to open in 2022, was scaled back from \$2.3 billion to \$2.25 billion. The South Terminal Complex Phase 1 Expansion Project (STC-P1X) was reduced by \$173 million. As a result of these modifications, the STC will open with 15 aircraft gates instead of the 19 originally planned, but with the capability of up to 20 aircraft parking positions and capacity to accommodate 11 million annual passengers.



Additional project revisions of \$133.7 million were also identified, impacting the North Terminal, airfield, ground transportation, STC Phase 2 and various other projects. In August 2021, the Board approved further adjustments to the rolling 2021 – 2027 CIP resulting in a further overall reduction of \$178.9 million versus the 2020 CIP. On December 15, 2021, the Board adopted the adjusted 2021-2027 CIP with an estimated cost of \$3.58 billion (including inflation allowances).

**Figure 7**

<b>Amended FY 2021-2027 MCO Capital Improvement Program</b>		
<b>Component</b>	<b>Description</b>	<b>Amount (\$ millions)</b>
STC-P1	Landside terminal, 15-gate airside terminal and parking facility expansion	\$2,265
STC-P1X	Additional Landside Terminal Expansion and portion of airside concourse	\$530
North Terminal Complex (NTC)	Terminal security, asset preservation and capacity improvements	\$496
Airfield	Runway, taxiway and apron improvements	\$138
Ground Transportation and Other	Roadways, RAC projects, GTF pedestrian bridge and other	\$147
<b>TOTAL</b>		<b>\$3,576</b>

Source: GOAA

### **South Terminal Complex (STC)**

STC-P1 includes a five-level landside terminal, customs and border patrol facility, baggage handling system, a 15-gate airside concourse with 20 aircraft positions that can handle both international and domestic flights, a ground transportation center and parking facility, an apron and airfield with an aircraft fueling system, a central energy plant and an emergency power generation plant. STC-P1 also features a virtual ramp control system to track aircraft, and an advanced visual docking guidance system. Construction of STC P-1 commenced in the first quarter of 2017. Despite supply chain and pandemic impacts, the \$2.8 billion STC- Phase 1 and STC-P1X are estimated to be completed on time and within budget, and to be operational by the summer of 2022. Construction Manager at Risk contracts for construction of portions of the STC -P1 and P1X committed two firms to deliver their portions of the STC within a series of guaranteed maximum price contracts.

### **North Terminal Complex (NTC)**

The existing 93-gate North Terminal, including capacity enhancements which are part of the CIP, has a design capacity of 40-45 million annual passengers, and was handling 51 million annual passengers based on annualized February 2020 (pre-pandemic) traffic. The 2021-2027 CIP includes \$495.6 million in NTC improvements. This amount includes \$50.4 million for an Airline Terminal Improvement Account that will fund certain airline relocation costs and space modifications.

### **Other CIP Projects**

Other CIP Projects include airfield maintenance projects totaling \$138.2 million which will be largely funded with AIP and FDOT grants, and various ground transportation and miscellaneous improvements totaling \$147.2 million.

### **Adjusted CIP Sources of Funding**

The Authority expects to fund the FY 2021-2027 Capital Program primarily from outstanding and to-be-issued Airport Revenue Bonds (45%) and PFC Supported Bonds (27%). Roughly 85% of the \$2.56 billion in bonding for the CIP has already been issued. After the issuance of the Series 2022A and 2022B Bonds, which will fund approximately \$260.5 million in STC -P1 project costs and refund draws on lines of credit related to the STC, the Authority’s proposed \$124 million Series 2023 Airport Facilities Revenue Bonds is expected to complete the bonding component of the FY 2021-2027 CIP. (Figure 8)

The Airport is eligible for formula grants estimated by the FAA at \$44.1 million per year for FY 2022 and 2023 pursuant to the Infrastructure Investment and Jobs Act (IIJA). These grants can be used to fund PFC-eligible capital projects.

## Construction Risk Management

Construction pricing risk associated with the STC is addressed through construction manager at risk (CMAR) contracts with the two firms responsible for the landside and airside terminals, respectively. Each CMAR has committed to a series of guaranteed maximum price addendums to its base contract. As of December 31, 2021, the STC-P1 was 99% under GMP contract, mitigating exposure to construction price escalation after that time. The Authority successfully utilized the CMAR approach with the same two construction managers on the South APM Complex and the ITF.

## Outstanding Indebtedness

Approximately \$1.64 billion Senior Lien Bonds are outstanding as of December 31, 2021. Of these, approximately \$1.0 billion are Senior PFC Bonds, the debt service on which is payable from Available PFC Revenues. The Authority also has \$883 million outstanding Subordinated Bonds and a \$50.2 million FDOT loan reimbursement obligation (the Subordinated Bonds and the FDOT loan collectively constitute outstanding Priority Subordinated Indebtedness).

The FDOT loan, which funded the intercity passenger rail terminal in the Intermodal Terminal Facility, is repayable on an interest-free basis over an 18-year period that commenced January 1, 2020. In December 2020, FDOT and the Authority amended their Joint Participation Agreement to allow for the deferral of a total of \$5.1 million in FDOT loan principal due in fiscal years 2020 and 2021 to fiscal years 2022 and 2023, respectively, and extended the final due date from January 30, 2037 to January 30, 2039. The FDOT loan does not cross-default to other subordinate lien obligations and cannot be accelerated.

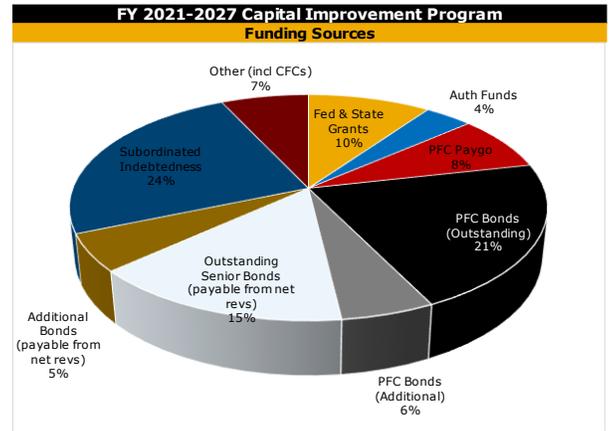
Junior to the Priority Subordinated Indebtedness is \$251.2 million in outstanding principal under four existing lines of credit (the Secondary Subordinated Indebtedness) as of December 31, 2021, a portion of which will be paid down with proceeds of the Series 2022 Bonds. The Authority is permitted to have up to \$550 million in lines of credit plus \$55 million in FDOT loan obligation outstanding at any time without satisfying the additional bond requirements of the Master Subordinated Indenture.

The Authority issued 2018 taxable notes under its CFC indenture to pay or reimburse a portion of the costs of the \$194 million CFC Ground Transportation Project at the STC. The notes, outstanding in the amount of \$121.3 million as of December 31, 2021, are payable solely from a pledge of rental car facility charges, which are imposed at \$3.50 per day for a maximum of seven days.

## Pro-Forma Debt Service

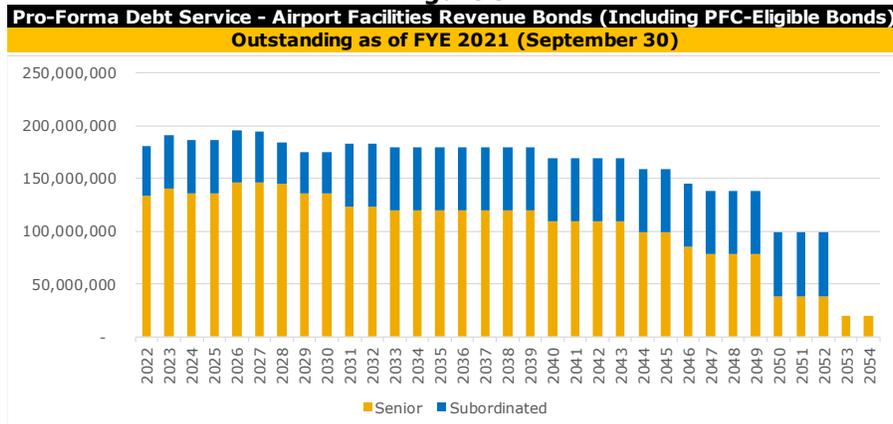
Aggregate pro-forma debt service on Senior Bonds (including PFC-supported and GARBs) and Subordinate Bonds following the issuance of the Series 2022 Bonds and the planned \$124.5 million Series 2023 Senior GARBs increases from \$180.5 million in FY 2022 to \$195.6 million (MADS) in FY 2026 and remains in the \$183 million to \$170 million range through FY 2043, declining thereafter through FY 2054. The Authority currently has no outstanding variable rate debt, interest rates swap agreements or other synthetic financial instruments.

Figure 8



Source: POS

Figure 9



Source: GOAA

## Debt Metrics

FY 2021 debt per enplanement<sup>3</sup> was \$159, (\$167 per O&D enplanement). Pro-forma aggregate Senior and Subordinate Bond maximum annual debt service (MADS) of \$195.6 million in FY 2026 equates to \$11.52 per FY 2021 enplanement, in line with KBRA's 'A' category rating, but this ratio is also expected to improve with the anticipated recovery in enplanements.

Leverage, measured as Senior and Priority Subordinate debt to net available revenues, was in the average range for a large hub, at 7.5x in FY 2021. Moderate levels of outstanding debt and low additional borrowing requirements over the medium term are expected to result in improved debt metrics as enplanement recovery continues.

## Pension and OPEB

The Airport System's OPEB and defined benefit pension plans are fully funded as of FYE 2021.

## RD 5: Airport Finances

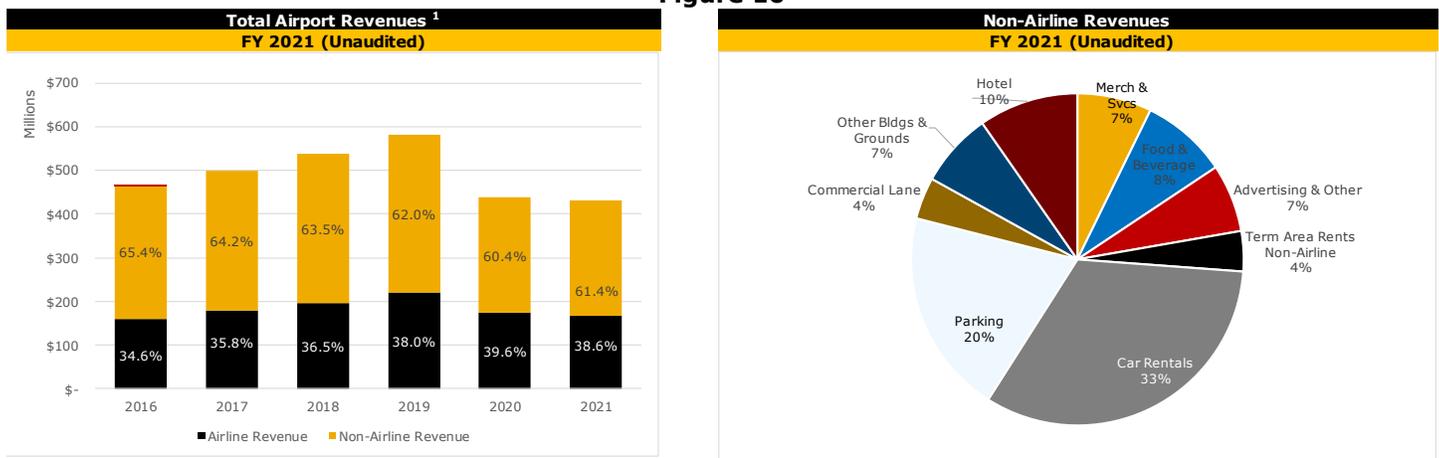
Airline rates and charges have been determined by Rate Resolution since 2013 and were revised by an Amended and Restated Rate Resolution effective October 1, 2019. The Resolution affords the Authority considerable flexibility in undertaking capital projects since there is no majority-in-interest (MII) provision requiring airline approval. In turn, airlines can terminate service with virtually no notice<sup>4</sup>. KBRA believes the economic benefits to the airlines of servicing MCO offset this risk. The Resolution also allows the Authority control over airline gate utilization. Rate making is hybrid in nature, with a compensatory terminal and residual airfield. Revenue sharing agreements with the airlines are approved through 2024.

### FY 2021 Operating Results (Unaudited)

Pandemic-driven declines in airline activity and enplanements led to a 1.3% decline in FY 2021 (unaudited) operating revenues versus FY 2020, and a 25.9% decline versus FY 2019. Airline revenues of \$166.8 million contributed 38.6% of revenues, a share that has remained stable throughout the pandemic. Net of revenue sharing, airline revenues were \$134.1 million, or 33.6% of total operating revenues.

The Authority Board establishes rates and charges for non-airline revenues. The non-airline cost center includes terminal area non-airline, concessions, parking/commercial lane, car rental, hotel, and other airport buildings and grounds. Non-airline revenues have comprised a growing percentage of recent years' total operating revenue, driven by increased concession and ground transportation activity that mirrored a trend of rising enplanements. FY 2021 non-airline revenues of \$265.3 million equated to \$15.62 per enplaned passenger, up from \$14.50 in FY 2019 (pre-pandemic) and average for the rating level.

Figure 10



1. Airline revenue percentages are gross and do not reflect airline revenue sharing.  
Source: GOAA

## Debt Service Coverage

Although PFCs do not generally constitute revenues, the Authority's 2017 Amended and Restated Bond Resolution permits the use of available PFC revenues to offset debt service requirements on PFC-eligible bonds.

Reflecting the impact of the pandemic on available PFC revenues, PFCs fell from \$98.4 million in FY 2019 to \$52.3 million in FY 2020 and are expected to be \$76.7 million in FY 2021. A still ample FYE 2021 PFC fund balance of \$199.5 million (down from \$350.5 million as of FYE 2019) is available, if necessary, to fund 100% of PFC eligible debt service, as well

<sup>3</sup> Includes Senior and Priority Subordinated Debt Service. Does not include Secondary Subordinated Indebtedness or Special Facilities Bonds.

<sup>4</sup> With the exception of the Participating Airlines' 5-year gate access commitment.

as PFC pay-go projects. The Authority targets a minimum \$50 million PFC fund balance, although at times of heavy construction activity, PFC balances may temporarily fall below this threshold.

Despite continuing pandemic-related headwinds to operating revenue and PFCs, FY 2021 senior lien coverage improved to 5.72x from 3.73x in FY 2020. The improvement reflects a 16.9% increase in enplanement activity YoY as well as the application of \$144.8 million in pandemic-related federal assistance to reimburse the Authority for the payment or defeasance of certain indebtedness.

**Figure 11**

<b>Greater Orlando Aviation Authority</b>					
<b>Orlando International Airport Statement of Income and Reconciliation to Bond Resolution Debt Service Coverage</b>					
FYE September 30 (\$ 000's)					
	Audited				Unaudited
	2017	2018	2019	2020	2021
<b>Statement of Income</b>					
<b>OPERATING REVENUES</b>					
Airfield Area	\$ 41,948	\$ 47,220	\$ 61,138	\$ 56,052	\$ 53,031
Terminal Area	214,997	231,387	247,190	182,048	174,391
Ground Transportation	177,756	187,974	200,477	143,134	151,604
Other Buildings and Grounds	19,298	20,496	23,273	21,828	21,983
Hotel	41,241	42,850	41,753	26,816	23,534
Rail Station	-	3,855	4,311	4,349	4,121
Total Operating Revenues	495,240	533,782	578,142	434,227	428,664
<b>OPERATING EXPENSES</b>					
Operations and Facilities	142,187	148,409	165,494	142,074	131,157
Safety and Security	38,411	44,347	48,342	48,042	44,437
Administration	64,805	75,949	80,660	68,672	62,111
Hotel	29,500	29,967	29,880	21,969	19,416
Other	3,559	2,989	1,692	2,901	(259)
Total Operating Expenses Before Depreciation	278,462	301,660	326,068	283,658	256,862
Operating Income (Loss) Before Depreciation	216,778	232,122	252,074	150,569	171,802
Less: Depreciation	(125,754)	(163,325)	(181,034)	(188,720)	(182,349)
Operating Income (Loss)	91,024	68,797	71,040	(38,151)	(10,547)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment Income	8,147	14,735	22,218	15,174	5,358
Net Change in the Fair Value of Investments	(2,498)	(4,859)	8,536	7,493	(7,688)
Interest Expense	(34,404)	(35,511)	(33,914)	(35,282)	(18,786)
Participating Airline Net Revenue Sharing	(53,140)	(57,659)	(77,111)	(25,575)	(32,658)
Passenger Facility Charges	86,990	91,647	98,415	52,308	76,667
Customer Facility Charges	29,345	44,847	43,804	25,136	26,767
Federal and State Grants <sup>1</sup>	5,886	649	(775)	197	144,966
Other	633	58,379	4,235	44,948	9,128
Total Nonoperating Income (Loss)	40,959	112,228	65,408	84,399	203,754
Income (Loss) Before Capital Contributions	131,983	181,025	136,448	46,248	193,207
Plus: Capital Contributions <sup>2</sup>	98,563	58,791	36,275	82,772	27,265
Increase (Decrease) in Net Position	230,546	239,816	172,723	129,020	220,472
Total Net Position, Beginning of Year	2,012,551	2,243,097	2,482,913	2,655,636	2,784,656
Total Net Position, End of Year	2,243,097	2,482,913	2,655,636	2,784,656	3,005,128
<b>Reconciliation to Net Revenues Available for Debt Service</b>					
Net Income	\$ 230,546	\$ 239,816	\$ 172,723	\$ 129,020	\$ 220,472
Add Back:					
Depreciation	125,754	163,325	181,034	188,720	182,349
Interest Expense	34,404	35,511	33,914	35,282	18,786
Participating Airline Revenue Sharing	53,140	57,659	77,111	25,575	32,658
Deduct:					
Passenger Facility Charge (PFC) Revenues	(86,990)	(91,647)	(98,415)	(52,308)	(76,667)
Customer Facility Charges	(29,345)	(44,847)	(43,804)	(25,136)	(26,767)
Net Other Adjustments <sup>3</sup>	(83,916)	(42,463)	(29,910)	(85,681)	(20,672)
Net Revenues Available for Debt Service	243,593	317,354	292,653	215,472	330,159
<b>Debt Service Coverage</b>					
Available Net Revenues for Debt Service	\$ 243,593	\$ 317,354	\$ 292,653	\$ 215,472	\$ 330,159
Aggregate Debt Service (Senior Bonds)	120,655	126,210	129,996	128,389	128,560
Less: PFC-Supported Debt Service <sup>4</sup>	(30,546)	(30,867)	(30,934)	(70,635)	(70,861)
Net Aggregate Debt Service (Senior Bonds)	90,110	95,343	99,062	57,754	57,699
<b>DEBT SERVICE COVERAGE</b>					
Airport Facilities Revenue Bonds (Senior)	2.70x	3.33x	2.95x	3.73x	5.72x
Coverage Requirement	1.25x	1.25x	1.25x	1.25x	1.25x
Total Indebtedness (Senior and Subordinate)	2.49x	3.08x	2.74x	3.18x	1.57x

<sup>1</sup>For FY 2021, includes COVID-19 grants received in the aggregate amount of \$144.8 million used to reimburse the Authority for the payment or defeasance of debt.

<sup>2</sup>Includes amounts received as grants from federal and state programs.

<sup>3</sup>Includes adjustments for: non-capitalized expenditures from restricted and other accounts; fair market value adjustment; investment income on restricted accounts and non-trustee revenue account; required deposits; grant income not available for debt service; transfer to project account for operation and maintenance account; and, gain on sales of land, equipment, and other non-operating income.

<sup>4</sup>Effective FY 2017, available PFC Revenues are applied as an offset to debt service instead of included in revenues.

Source: GOAA

## Liquidity Profile

The Authority has historically maintained substantial levels of unrestricted cash and investments and targets a minimum cash and investment balance of 365 days. Primary sources of liquidity include operating, capital expenditure and discretionary funds. The Authority had 877 days cash on hand as of FYE September 30, 2021 (unaudited), compared to 728 days at FYE 2020 and 681 days at FYE 2019. Ample liquidity has facilitated operating flexibility throughout the pandemic.

## Federal Stimulus Funding

The Authority was awarded a total of \$383.796 million in Federal funding relief related to COVID-19. Of this amount, \$353.41 million is allocated to MCO, with the remainder allocated to the Orlando Executive Airport and to dedicated concession funding. The Senior Bond Resolution permits any grant proceeds legally available to pay debt service and O&M expenses, including Federal COVID-19 grants, to be included as Revenues.

The Authority used approximately 60% to 65% of the MCO allocation of federal funding to defease portions of certain series of Airport Revenue Bonds for debt service savings of approximately \$33 million. As of December 31, 2021, all CRRSA grants have been fully drawn and approximately \$87.1 million in CARES Act and \$21 million in ARPA concession relief grants are remaining.

**Figure 12**

Greater Orlando Aviation Authority					
Federal COVID-19 Funding Relief (\$ 000)					
Program	MCO	Plus Dedicated Concession Funding	Total Award to MCO	ORL	Total Award to MCO and ORL
CARES	\$166,772	N/A	\$166,772	\$4,000	\$170,772
CRRSA	\$36,372	\$5,261	\$41,633	\$23	\$41,656
ARPA	\$150,267	\$21,042	\$171,310	\$59	\$171,369
<b>Total</b>	<b>\$353,411</b>	<b>\$26,303</b>	<b>\$379,714</b>	<b>\$4,082</b>	<b>\$383,796</b>

Source: GOAA

**Figure 13**

Actual and Estimated Uses of Federal COVID-19 Funding by Fiscal Year					
Use	2021	2022	2023	2024	TOTAL
O&M	\$ -	\$ 15,257,371	\$ 15,000,000	\$ 17,071,504	\$ 47,328,875
Debt Service 2017A Subordinated	\$ 43,375,152	\$ 39,742,629			\$ 83,117,781
2010A Defeasance 8/27/21	\$ 15,160,000	\$ -			\$ 15,160,000
2011B, 2015A, 2016A Defeasance 9/15/21	\$ 86,307,488	\$ -			\$ 86,307,488
2013A Defeasance - 10/7/21	\$ -	\$ 27,497,976			\$ 27,497,976
2017A Subordinated Defeasance - 10/7/21	\$ -	\$ 94,034,535			\$ 94,034,535
<b>Totals</b>	<b>\$ 144,842,640</b>	<b>\$ 176,532,511</b>	<b>\$ 15,000,000</b>	<b>\$ 17,071,504</b>	<b>\$ 353,446,655</b>

Source: GOAA

## Passenger Airline Cost Per Enplanement (CPE)

Participating airline cost per enplanement levels, after application of PFC offsets to debt service on PFC eligible bonds increased from a low \$4.34 in FY 2019 to \$9.23 in FY 2020. CPE declined to \$7.19 in FY 2021 per ongoing recovery in airport activity and application of federal assistance offsetting costs. Management projects that CPE will increase to a still very affordable \$8.33 in FY 2022 and \$10.26 FY 2023.

## Stress Case

KBRA's stress case assumes that December 2021 through May 2022 enplanements remain 7.6% below 2019 same month levels, with subsequent recovery causing the shortfall to decline by one percentage point each month thereafter, resulting in enplanement recovery to pre-pandemic levels by January 2023. Under this scenario, based on budgeted airline costs in FY 2022 and projected budgeted airline costs in FY 2023, airline cost per enplanement would be approximately \$8.44 in FY 2022 and \$11.20 in FY 2023, a level which KBRA views as affordable.

A more detailed review of this rating determinant can be found in KBRA's surveillance [report](#) dated August 31, 2021.

## RD 6: Legal Mechanics and Security Provisions

A detailed review of this rating determinant can be found in KBRA's surveillance [report](#) dated August 31, 2021.

## Bankruptcy Assessment

KBRA's bankruptcy assessment can be found in KBRA's surveillance [report](#) dated August 31, 2021.



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