

Port Rating Case Studies

American Association of Port Authorities - Finance Seminar

Kevin Archer
Associate, Chicago Office
U.S. Public Finance – Transportation Infrastructure

April 18, 2018

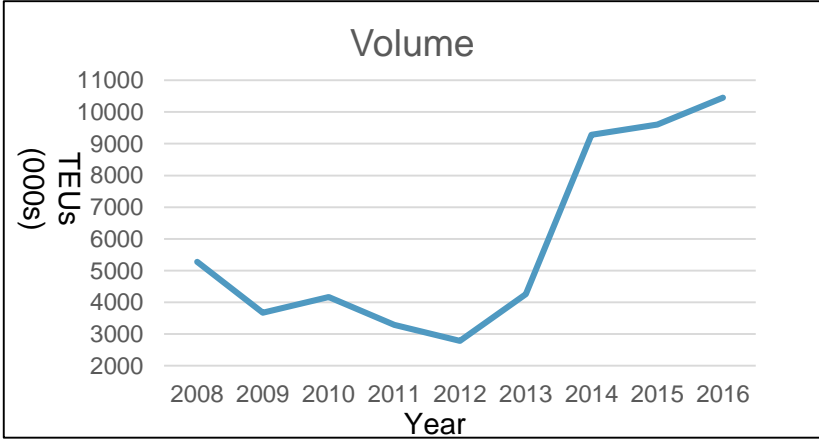
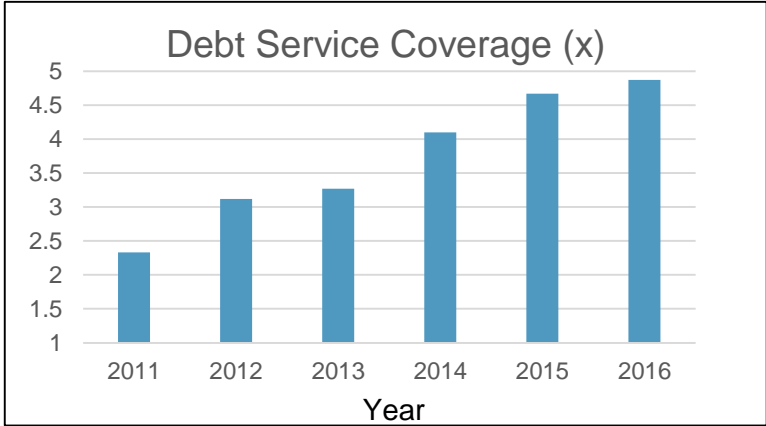
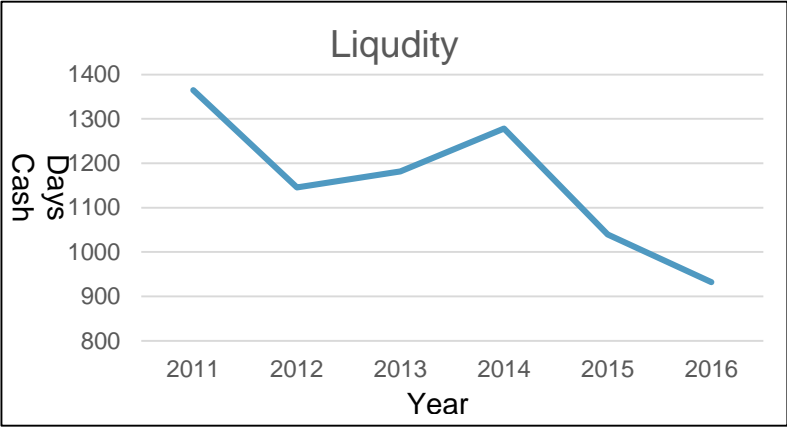
S&P Global
Ratings

Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's. Copyright 2017 by Standard & Poor's Financial Services LLC. All rights reserved.

Port of Greater Baton Rouge – Raised

- Rating raised from ‘BBB’ to ‘BBB+’ November 2016
 - Reflective of the port’s:
 - Consistently strong debt service coverage
 - Some volatility but over 3x annually since 2011 and 4.87x in fiscal 2016
 - Despite volatile revenues where annual change has been as high as 18% and low as -18% year-over-year
 - Sustained strong liquidity
 - Over 900 days unrestricted days cash on hand for the last decade and mitigates volatility risk for a smaller port
 - Limited capital needs with no additional debt plans in the near future
 - Offset by the port’s:
 - Relatively small operations
 - More vulnerable to economic factors affecting imports and exports, resulting in tonnage volatility historically
 - Competition from larger ports nearby
 - Ports of New Orleans and South Louisiana

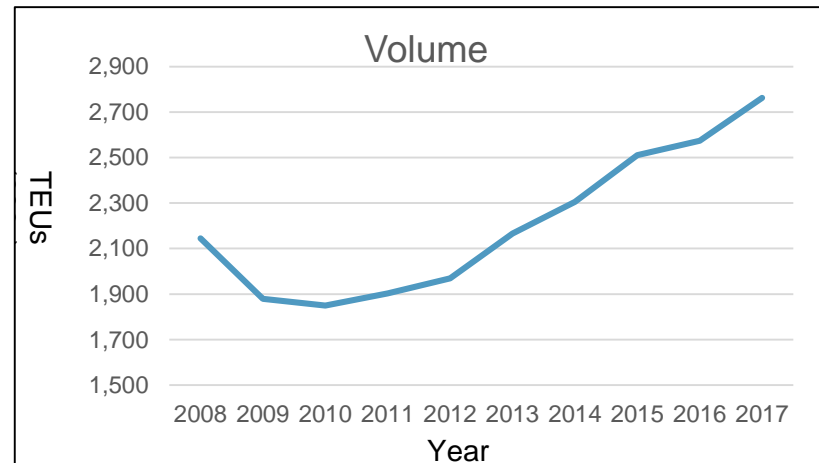
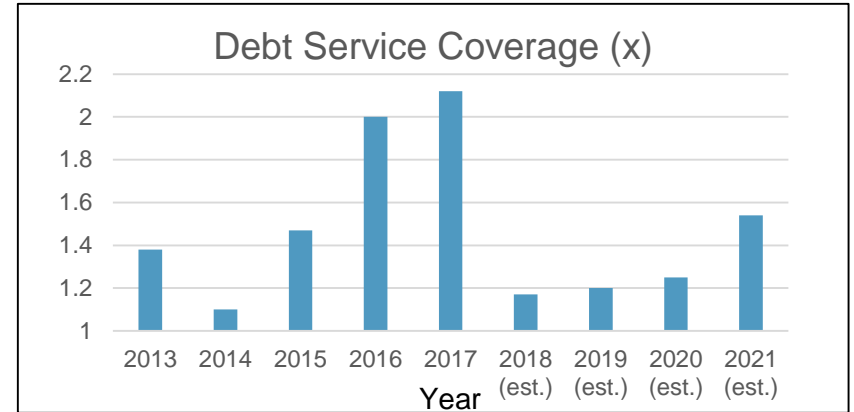
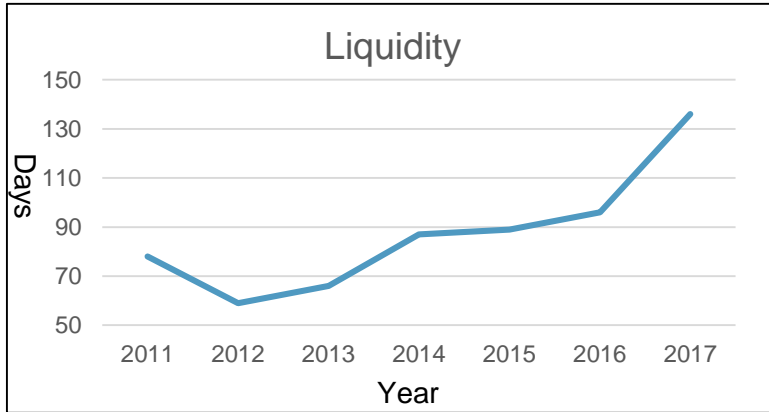
Key Metrics – Port of Baton Rouge



Virginia Port Authority – Lowered

- Rating lowered to 'A' from 'A+' to October 2016
 - Reflective of the port's:
 - Low near-term minimum debt service coverage levels
 - Bond debt service is subordinate to various lease, installment sale, and construction payments
 - Coverage includes the totality of all these obligations
 - Ranged from 1.34x-2.06x historically and forecasted to be near 1.20x from 2018-2020
 - Combined with ascending payment structure increases risk
 - Total obligation payments scheduled to increase from \$43M in fiscal 2017 to \$91M in fiscal 2021
 - Volume forecasted to grow 2%-6% annually
 - Historically weak liquidity position
 - Less than 200 days unrestricted days cash on hand for the last decade
 - Stabilized by the port's:
 - Strong competitive position
 - Deep channel port with a central location on the East Coast
 - Good carrier and commodity diversity
 - No single carrier responsible for more than 17% of container volume

Key Metrics – Virginia Port Authority



Port Sector Contact Info

Kevin Archer
Associate (Chicago)
T: 312.233.7089
kevin.archer@spglobal.com

Joe Pezzimenti (criteria author)
Director (New York City)
T: 212.438.2038
joseph.pezzimenti@spglobal.com

Kurt Forsgren
Managing Director and Transportation Sector Leader (Boston)
T: 617.530.8308
kurt.forsgren@spglobal.com

Peter Murphy
Managing Director and Analytical Manager (New York City)
T: 212.438.2065
peter.murphy@spglobal.com

Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's. Copyright 2014 by Standard & Poor's Financial Services LLC. All rights reserved.

S&P Global Ratings

Copyright © 2017 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.