S&P Global
Ratings

Research

Summary:
Hawaii Airports System; Airport

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Summary:

Hawaii Airports System; Airport

Credit Profile		
US$325.0 mil arpt sys rev bnds (AMT) ser 2025A due 07/01/2055		
Long Term Rating	AA-/Stable	New
US$310.0 mil arpt sys rev bnds (non-AMT) ser 2025B due 07/01/2055		
Long Term Rating	AA-/Stable	New
US$165.0 mil arpt sys rev rfdg bnds (AMT) ser 2025C due 07/01/2045		
Long Term Rating	AA-/Stable	New
US$55.0 mil arpt sys rev rfdg bnds (non-AMT) ser 2025D due 07/01/2045		
Long Term Rating	AA-/Stable	New
Hawaii		
Hawaii Airport System, Hawaii		
Hawaii (Hawaii Arpt Sys) arpt		
Long Term Rating	AA-/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AA-' long term rating to Hawaii Airports System's (HAS or the system) $855 million of senior-lien general airport revenue bonds (GARBs), series 2025A and 2025B, and refunding series 2025C and 2025D.
- At the same time, we affirmed our 'AA-' long-term rating and underlying rating (SPUR) on the system, our 'AA-' rating on the system's GARBs outstanding, and our 'A+' long-term rating on its outstanding lease revenue subordinate-lien certificates of participation (COPs).
- The outlook on all ratings is stable.

Security

The senior-lien GARBs are secured by senior-lien system and aviation fuel tax revenue after operations and maintenance costs. The airport system's series 2013 COPs, which we rate based on our "Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness" criteria (published Nov. 20, 2019, on RatingsDirect), are special limited obligations of the airports division and represent assignment of a proportionate interest in the lease and in the right to receive rent payments under the lease. Lease payments are secured solely by revenue and aviation fuel tax revenue but are junior in priority to the pledge of the revenue securing the airports system revenue bonds outstanding. Debt service reserves (DSRs) provide additional liquidity for bondholders. The DSR for the senior-lien GARBs totals approximately $117.5 million, prior to the issuance of the 2025 bonds, all of which is cash-funded.

Proceeds for the 2025 bonds are expected to pay the cost of capital improvement projects within the system, to fund a deposit into the DSR, and to refund a portion of the outstanding GARBs for interest savings.

The airport system has approximately $2.2 billion in debt outstanding, consisting of $1.7 billion of senior-lien GARBs, $120 million of COPs, and $381.5 million of customer facility charge (CFC) revenue bonds as of December 2024. The CFC bonds are a separate credit and not secured by airport system revenue.

Credit overview

The rating reflects our view of HAS' extremely strong enterprise and strong financial risk profiles supported by its strong demand and enplanements which have exceeded pre-pandemic levels since 2021. The HAS system consists of 15 airports that provide air service with no competition within the state with its robust origin and destination (O&D) enplanement base at 87.4% for fiscal 2024. We view the enplanement recovery after declines and expectation of growth as supportive of an improved overall extremely strong market position. Monthly enplanement recovery has exceeded 2019 levels beginning September 2022 with November 2024 year-to-date enplanement levels at about 100% of 2019 levels. While international traffic has remained below pre-pandemic levels, HAS' recovery has reflected demand for domestic travel, which has exceeded 2019 levels since the end of 2021.

Our strong financial risk profile is based on what we expect to be HAS' improving revenue-generating capacity relative to most recent historical levels as debt levels rise, supported by strong liquidity and financial flexibility. We expect financial risk profile, based on management's forecast through 2031, to be maintained at levels we consider strong, with debt service coverage (DSC) near or above 1.25x, debt to net revenue between 10x and 15x, and unrestricted days' cash on hand (DCOH) above 400 days.

Although the state's leisure and hospitality sector has faced disruptions since 2020--including the COVID-19 pandemic and wildfires in Maui County in 2023--Hawaii has had a steady flow of domestic tourism and an incremental rebound in international tourism activity in 2024 and developed conservative revenue growth forecasts that we believe will support its financial risk profile.

Key credit strengths, in our opinion, include HAS':

- Favorable service area economic fundamentals, which support air travel demand to and within the state, good economic activity as measured by GDP per capita, a large population base, and improving employment levels despite a lag in the leisure and hospitality sector;
- Extremely strong market position, highly essential role, and lack of competition reflecting a strong recovery in domestic enplanements to pre-pandemic levels;
- Maintenance of very strong available liquidity as measured by days' cash, bolstered by infusions of federal operating grants; and
- Very strong management and governance, as evidenced by the state Department of Transportation's (DOT) ability to adjust revenue, expenses, and capital spending under recently stressed and currently improving industry conditions.

Partially offsetting these strengths, in our view, are HAS':

- Moderate air carrier concentration, with Hawaiian Airlines and Alaska Airlines--now one company following their recent merger--accounting for a combined 52% of total enplanements in 2024;
- Exposure to an international oversees passenger segment, which has been much slower to recover than the

domestic passenger segment due to pandemic-related health and safety requirements and protocols and unfavorable exchange rates for certain currencies against the U.S. dollar; and

- Rising cost and debt metrics associated with a large $1.85 billion capital improvement program (CIP) including $1.4 billion in additional planned GARBs through 2031 and which could pressure coverage levels.

Environmental, social, and governance

We analyzed the airport's risks related to environmental, social, and governance factors and consider them credit neutral in our rating analysis. While we acknowledge that Hawaii's location also exposes it to considerable physical risks, including hurricane and heat-related events which could dampen its tourism-based economy in the short term, the state's economy has generally displayed resilience over the longer term, as demand for tourism has remained strong despite periodic challenges. The system has also incorporated asset hardening into its long term planning to mitigate effect of these occurrences on its systems. We will continue to evaluate these risks as the situation evolves.

Outlook

The stable outlook reflects our expectation that enplanement growth will be sustained, allowing the airport to maintain an extremely strong enterprise risk profile and additional debt is incorporated into financial metrics to maintain a strong financial risk profile.

Downside scenario

We could lower the rating if HAS' activity and financial metrics such as coverage and liquidity (based on our calculations) erode from current and projected levels and we believe they will likely remain materially weaker for an extended period.

Upside scenario

We do not expect to change the ratings over the next two years, given our view that coverage and liquidity metrics are not likely to improve materially. Also limiting the rating upside is the airport's large $1.85 billion CIP primarily funded by debt.

Ratings Detail (As Of January 31, 2025)		
Hawaii Arpt Sys arpt		
Long Term Rating	A+/Stable	Affirmed
Hawaii Arpt Sys arpt		
Long Term Rating	AA-/Stable	Affirmed
Hawaii		
Hawaii Airport System, Hawaii		
Hawaii (Hawaii Arpt Sys) arpt		
Long Term Rating	AA-/Stable	Affirmed
Hawaii (Hawaii Arpt Sys) arpt (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Hawaii (Hawaii Arpt Sys) arpt (BAM) (SECMKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.