



**PHL** PHILADELPHIA  
INTERNATIONAL AIRPORT



*“Creating the Airport  
OF THE FUTURE  
for OUR FUTURE”*

***Philadelphia 2013 Investor Conference***

***April 18, 2013***

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## *Agenda*

- ❖ *About Philadelphia International Airport (“Airport” or “PHL”)*
- ❖ *Air Service Region*
- ❖ *Air Service & Passenger Trends*
- ❖ *Financial Metrics and Debt Profile*
- ❖ *Capital Plan & Capacity Enhancement Program (“CEP”)*
- ❖ *Questions & Answers*





# About Philadelphia International Airport





## ***ABOUT THE AIRPORT***

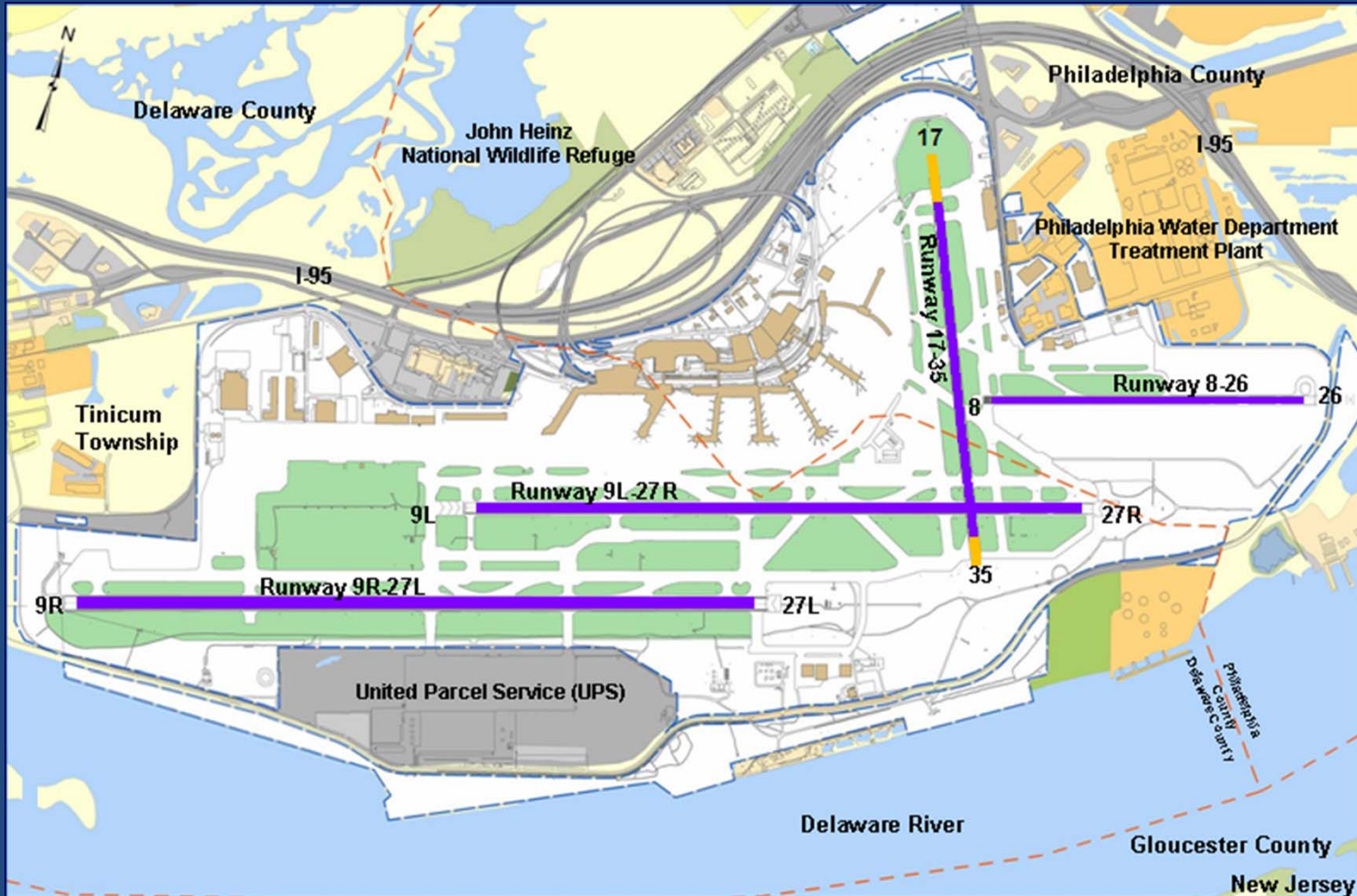


- ✈ 27 Carriers – 600+ Daily Departures to 125 Cities
- ✈ 59 International Flights to 37 International Destinations
- ✈ 55% Origin and Destination Traffic
- ✈ Travelers - 50% Leisure/50% Business
- ✈ Employees
  - Approximately 22,000 Airport Employees
  - Supports 141,000 Jobs/200+ Employers
- ✈ \$14 Billion (USD) Regional Economic Impact Annually
- ✈ 2012 Total Passengers - 30.3 Million
- ✈ 2012 Total Operations - 443,236
- ✈ 2012 Total Air Cargo - 399,822 Tons
- ✈ Experienced Management Team



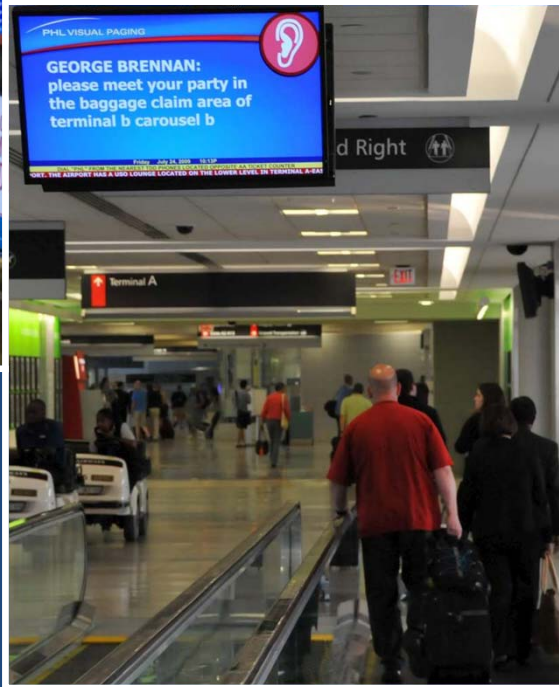
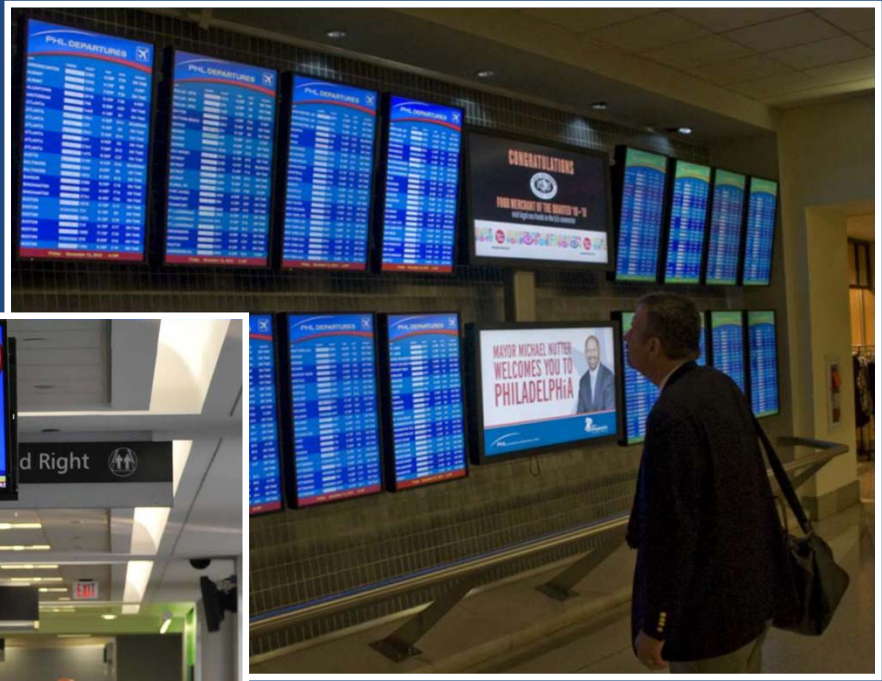
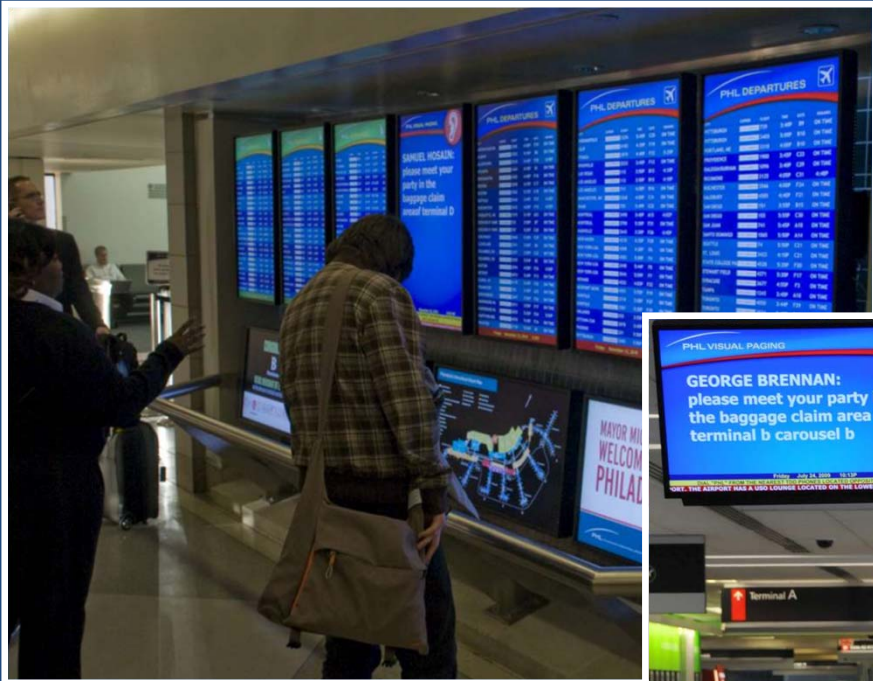


# AIRPORT LAYOUT





# Air Service Region







# PHILADELPHIA INTERNATIONAL AIRPORT CATCHMENT AREA



**5.1M people live within just 30 miles of PHL**





## STRONG & DIVERSE REGIONAL ECONOMY

13 Fortune 500 Companies Are Headquartered in the Region

Employment by Sector in the Greater Philadelphia Region in 2012



Sector	Number of Jobs	% Share
Educational & Health Services	618,259	20.9%
Transportation, Trade, & Utilities	533,083	18.0%
Professional & Business Services	461,560	15.6%
State & Local Government	335,701	11.4%
Leisure & Hospitality	239,497	8.1%
Financial Activities	218,209	7.4%
Manufacturing	189,612	6.4%
Other Services	133,614	4.5%
Construction, Natural Resources & Mining	115,010	3.9%
Information	56,522	1.9%
Federal Government	53,680	1.8%



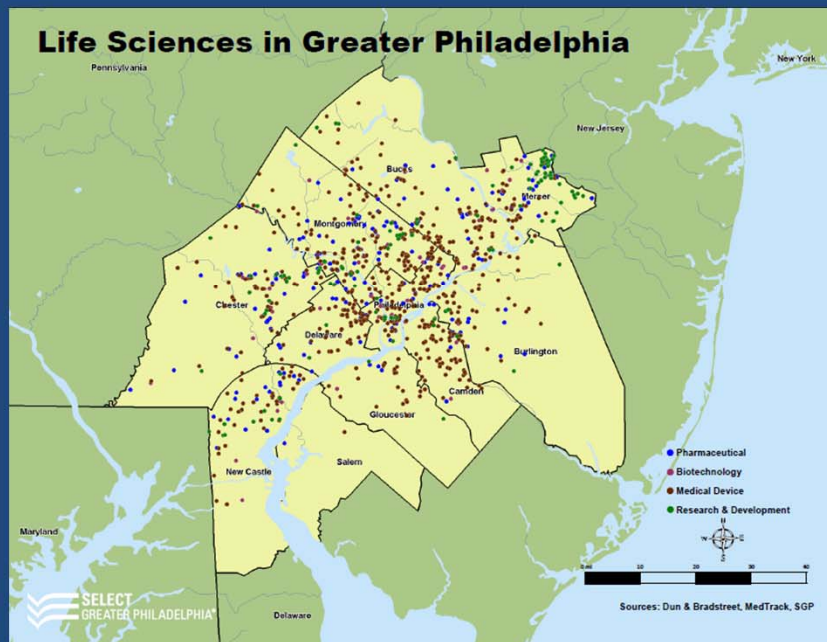
## Region's Leading Employers Demonstrate a Diverse Economy

Company	Employees	Company	Employees
Jefferson Health System	19,100	SEPTA	8,800
University of Pennsylvania	16,160	Wawa, Inc.	8,333
University of Penn Health System	14,941	Temple University	7,804
Merck & Company, Inc.	12,000	Siemens Medical Solutions	7,546
Wal-Mart	11,445	Temple University Health System	7,500
Catholic Health East	11,339	CVS Caremark Corp.	7,097
UPS	10,261	Thomas Jefferson University Hospital	6,830
Comcast Corporation	10,200	Crozer - Keystone Health System	6,650
Main Line Health	10,100	U.S. Postal Service	6,410
Aramark Corp.	10,026	Abington Health System	6,390
Bank of America Corp.	10,000	Genesis Healthcare Corp.	6,328
Christiana Care Health System	10,000	Johnson & Johnson	6,247
Supervalu Inc. (Acme)	10,000	Bristol-Myers Squibb	6,300
Children's Hospital of Phil (CHOP)	9,800	Mercy Health Sys of Southeastern Penn	6,250
El Du Pont de Nemours & Co	9,500	U.S. Airways	6,247
Vanguard Group	9,210	Home Depot USA Inc.	6,113
Verizon Communications Inc.	9,054	Princeton University	6,011
Lockheed Martin Corporation	9,000	TD Banknorth	5,900
Virtua Health	8,900	FedEx Corp.	5,900
Wells Fargo	8,870	Sodexo	5,777





## **REGION'S ECONOMY IS DRIVEN BY STABLE INDUSTRIES SUCH AS EDUCATION AND HEALTH SERVICES**



✈ **15% of all economic activity and more than one in six jobs in the region is attributable to the Life Sciences sector and related to health care activity**

- ✈ **Leader in education with over 100 degree granting institutions enrolling about 400,000 students**
- ✈ **Extensive higher education system provides the region with a highly educated workforce**



# Air Service & Passenger Trends

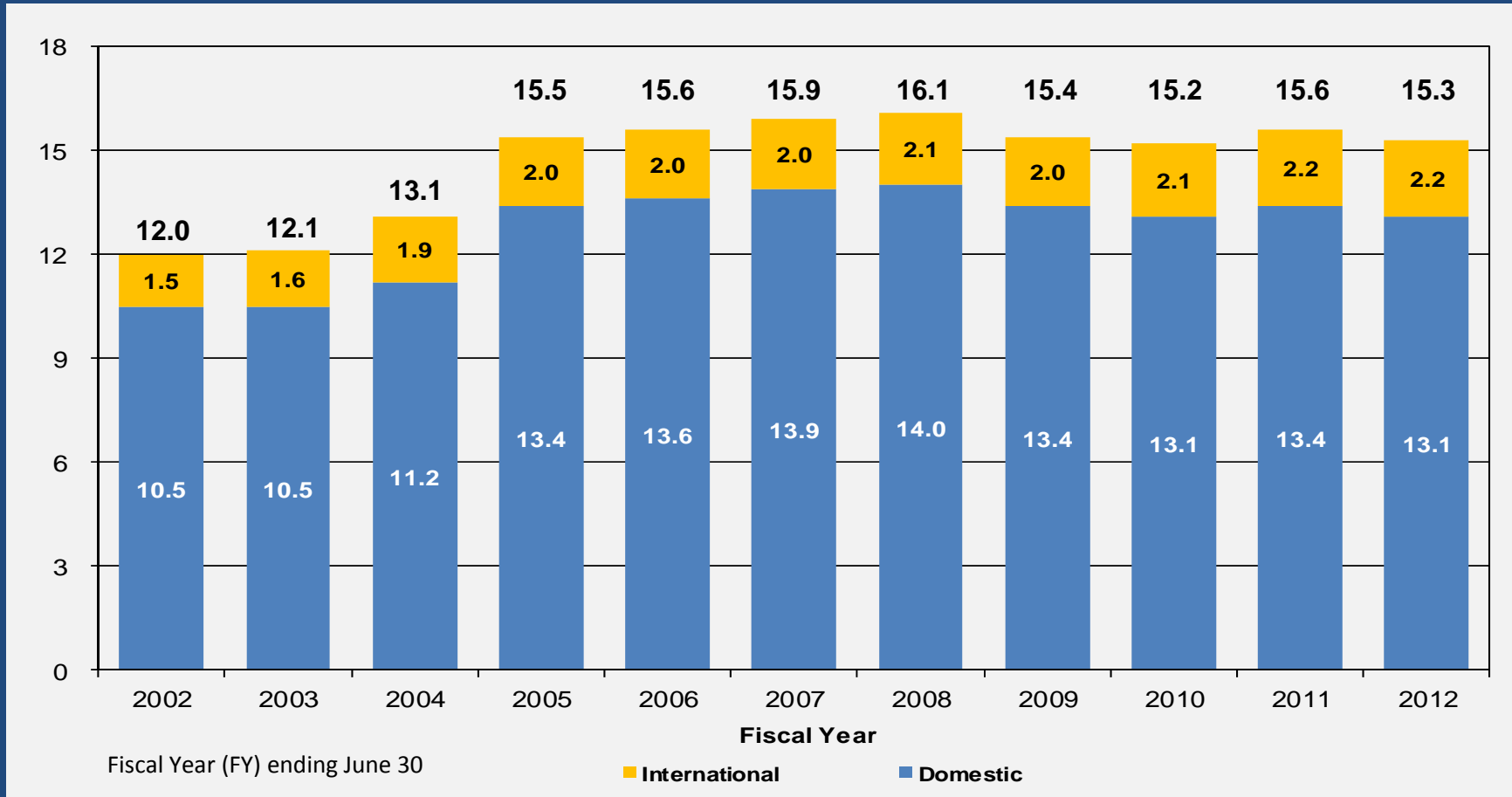






# PASSENGER LEVELS STABLE SINCE 2005

Enplaned Domestic & International Passengers (millions)

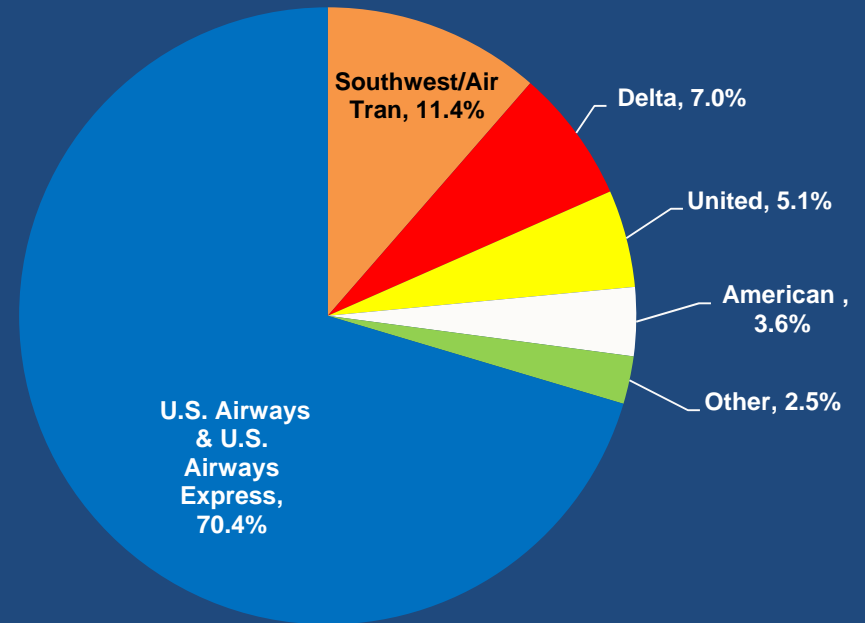




## **STRONG MIX OF CARRIERS**

- ✈ **In CY2012, PHL was the 18<sup>th</sup> busiest passenger airport in the U.S.\***
- ✈ **Approximately 55% of PHL's traffic is Origin & Destination ("O&D"), with 45% connecting**
- ✈ **50% Business / 50% Leisure traffic**

**FY 2012 Enplaned Passenger Market Share**



**Enplaned Passengers: 15.3 million**

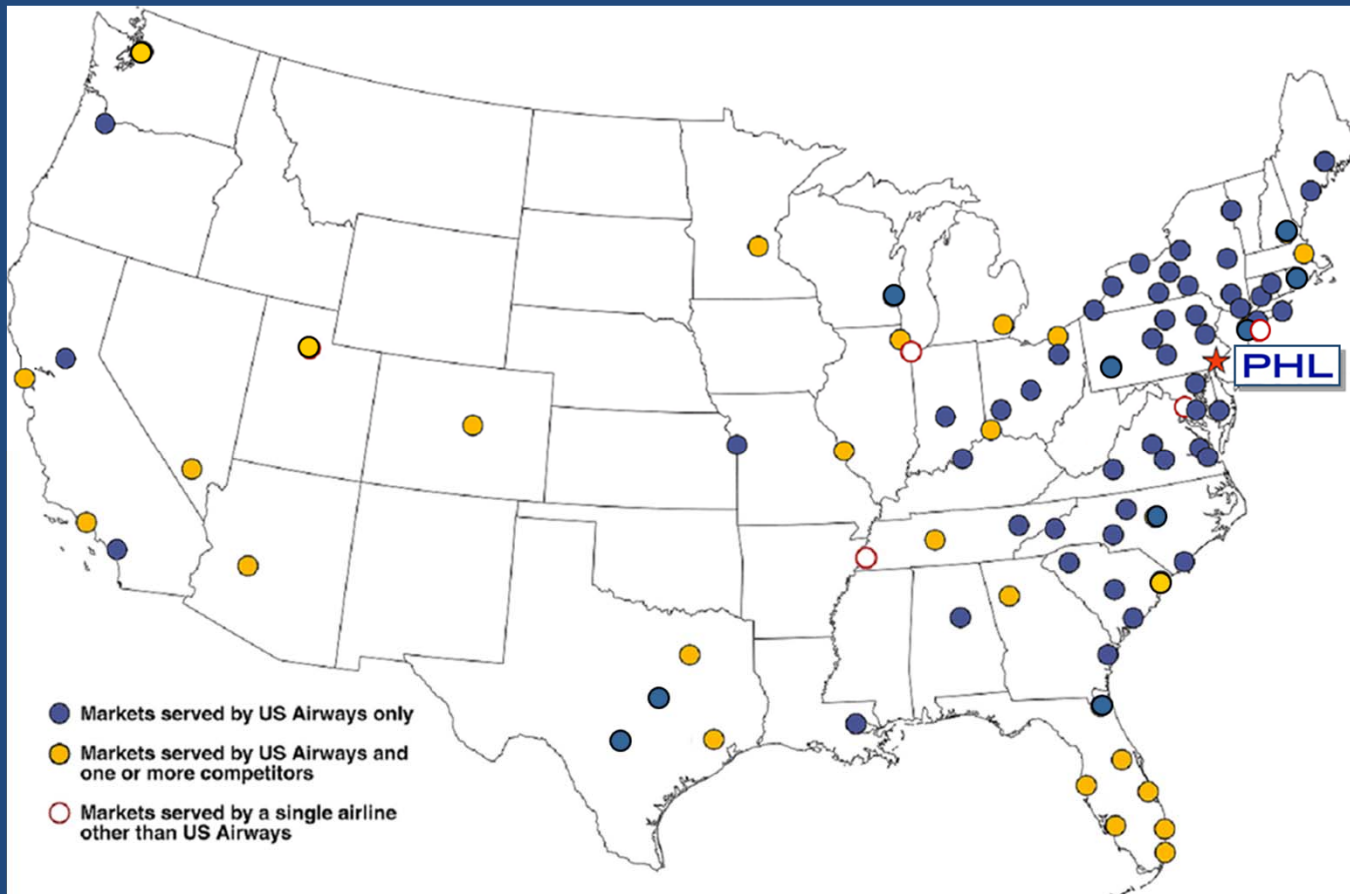
Sources: Airports Council International North America for FY2012 U.S. traffic data and Philadelphia International Airport for all other data

\*Preliminary





# ***PHL HAS NONSTOP SERVICE TO 89 U.S. AIRPORTS; 25 AIRPORTS ARE SERVED BY MORE THAN ONE AIRLINE***

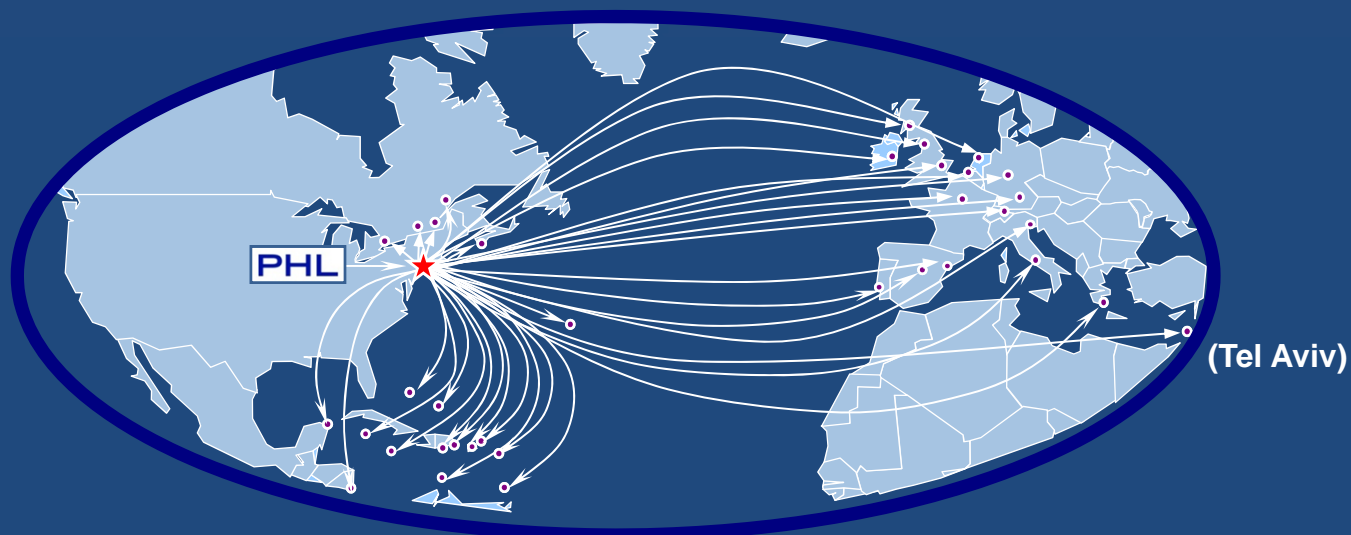


Source: OAG Schedules for July 2013

Note: Domestic destinations not reflected on map include San Juan, and St. Thomas



## ***PHL HAS EXTENSIVE INTERNATIONAL SERVICE TO EUROPE, THE CARIBBEAN, AND THE MIDDLE EAST***



✈ International destinations are served by US Airways, British Airways, Air Canada, Delta Air Lines, Lufthansa, and Frontier

✈ As of Summer 2013 non-stop service provided to:

- 17 European destinations
  - 12 Latin American and Caribbean destinations\* (including winter service)
  - 5 Canadian destinations
  - Tel Aviv
  - Bermuda
- \* Excludes San Juan & St. Thomas





## ***PHL NEW AIRLINES & NEW SERVICE***

**jetBlue**

✈ **Boston Logan (05/23/13)**

**spirit**  
airlines

✈ **Dallas-Ft Worth (04/03/13)**

✈ **Las Vegas (04/25/13)**

✈ **Myrtle Beach (04/25/13)**

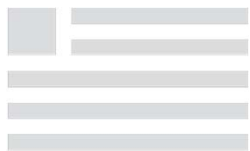
**Virgin**  
**america**

✈ **LAX (04/04/12)**

✈ **San Francisco (04/10/12)**

**Alaska Airlines**

✈ **Seattle-Tacoma (06/11/12)**



**U-S AIRWAYS**

✈ **Austin (09/05/12)**

✈ **San Antonio (09/05/12)**



# The Airport's Perspectives on the US Airways' PHL Hub & Potential Impacts of the Merger







## ***PHL IS KEY TO THE NEW AMERICAN'S STRATEGIC PLANS***

“Philadelphia is extremely important to US Airways and will be extremely important to the new American Airlines”

– Doug Parker, March 28, 2013

“We plan on maintaining all the existing hubs and service to all the destinations we serve.”

– Doug Parker, March 28, 2013

“Philadelphia will continue to be a connecting international gateway that will provide nonstop service to all the places we fly today.”

– Doug Parker, March 29, 2013

“For Philadelphia, the opportunities for growth internationally have now expanded because we are part of a bigger network.”

– Doug Parker, March 29, 2013



# PHL IS KEY TO THE NEW AMERICAN'S STRATEGIC PLANS

✈ **The new American Airlines has an extensive route network from PHL**

	Markets Served	Daily Flights
Domestic	80	414
International	<u>33</u>	<u>48</u>
Total	113	462

✈ **US Airways generated a direct operating profit of \$248 million at PHL in CY 2011**

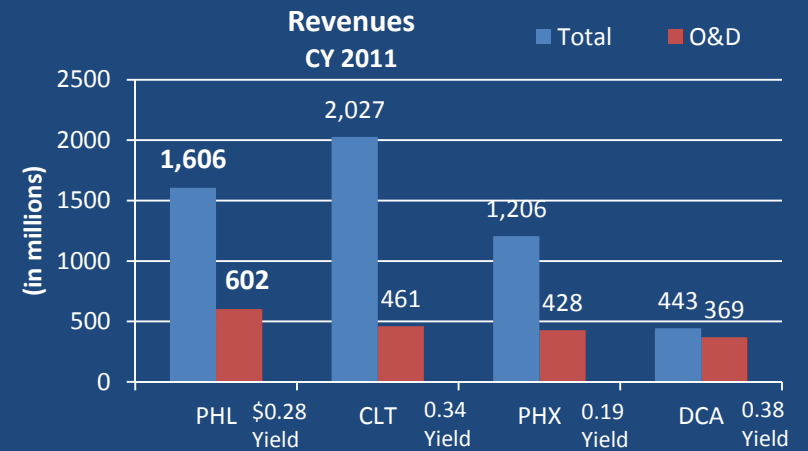
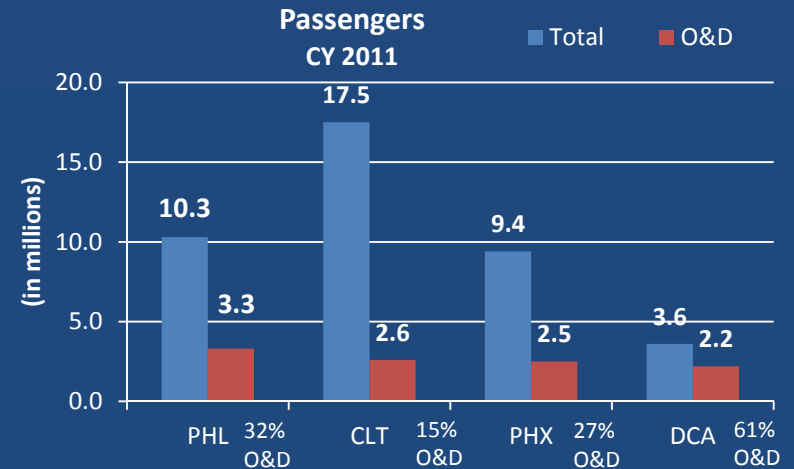
	PHL Mainline Operations
Total Revenues	\$3.1 B
Operating Costs	\$2.8 B
Direct Operating Profit	\$0.248 B
Operating Margin	8%





## PHL PROVIDES US AIRWAYS IS STRONGEST O&D BASE

- ✈ PHL is part of a system of hubs operated by US Airways, all with their own unique and valuable characteristics
- ✈ PHL is the #1 O&D passenger and revenue generator in the US Airways system
- ✈ US Airways acknowledged PHL's strengths as it battled Southwest
- ✈ PHL is US Airways' largest European gateway, due to its location and large local market





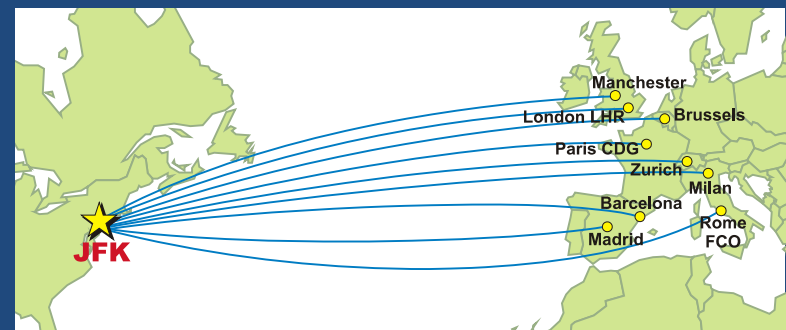


## PHL IS A STRONG TRANSATLANTIC HUB



US Airways operates its largest trans-Atlantic gateway at PHL

AA serves 9 trans-Atlantic destinations from JFK — 8 of which are served by US Airways from PHL



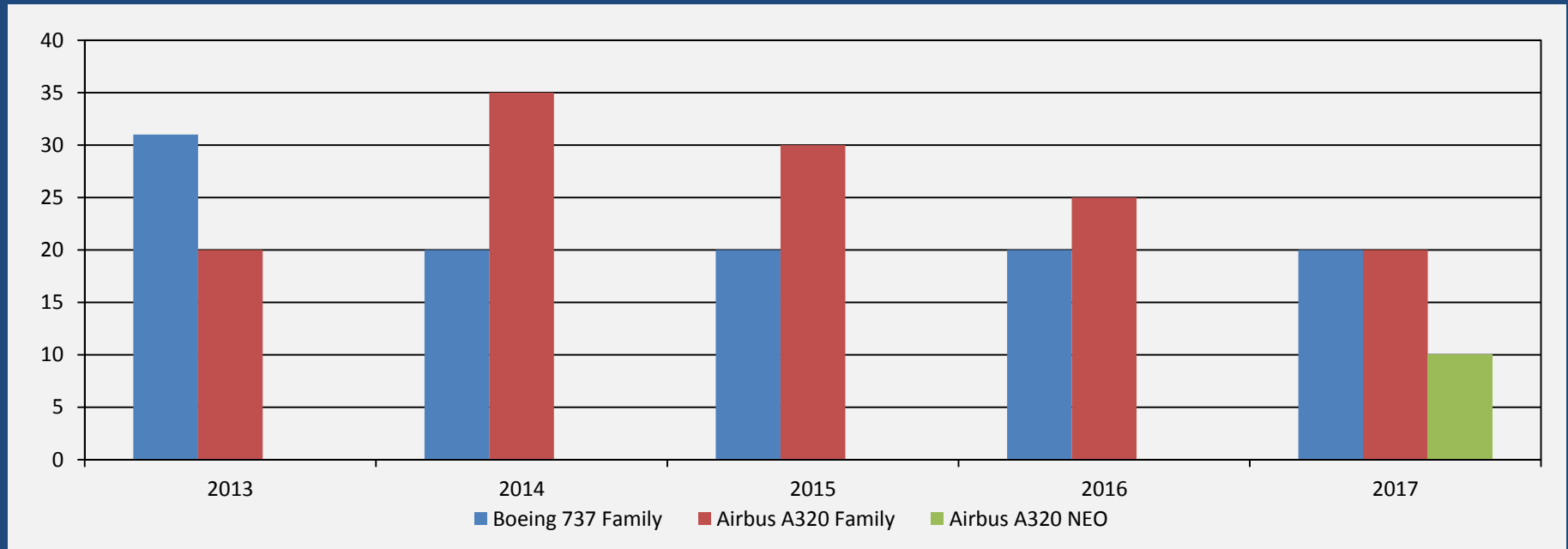




## AMERICAN'S NARROW BODY FLEET EXPANSION PLAN

- ✈ AA will replace its 191 MD-80 aircraft with 241 narrow-body aircraft which has greater seat capacity and superior range. AA has an additional 220 planes on order post-2017
- ✈ This creates more opportunities for additional international flights out of PHL

AA Narrow-Body Jet Orders (2013 to 2017)





# Financial Metrics & Debt Profile





## KEY FINANCIAL & BUSINESS METRICS REMAIN HEALTHY

- ✈️ **FY 2012 Actuals & 2013 Budget show healthy debt service coverage levels and a continued competitive airline Cost Per Enplanement (“CPE”)**

(\$'s in millions)	Actual FY 2011	Actual FY 2012	Budget FY 2013
Net Amounts Available for Debt Service (\$M)	\$272.4	\$267.6	\$302.1
Debt Service Requirements (\$M)	\$102.4	\$103.0	\$107.8
<b>Debt Service Coverage</b> (Test #1: 1.50x Requirement)	<b>2.66x</b>	<b>2.60x</b>	<b>2.80x</b>
<b>Airline Cost per Enplanement</b>	<b>\$10.23</b>	<b>\$9.65</b>	<b>\$10.48</b>

- ✈️ **Unrestricted cash balance is \$115 million, or approximately 210 days cash on hand**





## ***EXTENSION OF THE AIRLINE AGREEMENT***

- ✈ **The City and US Airways have announced a two year extension of the airline agreement that runs through June 30, 2015**
  
- ✈ **The agreement works well for the City and the airlines**
  - Flexibility to manage facilities
  - Improved discretionary cash flow and reserves
  - Simplified rate-making procedures
  - Reasonable airlines rates and charges under a residual rate making methodology to ensure full cost recovery
  
- ✈ **The agreement gives new project authority totaling \$734.8 million**
  - Extension of runway 9R-27L
  - Redesign and enhancement of Terminal B and C
  - New consolidated rental car facility
  - Airside improvements
  - Continued rehabilitation of other airport infrastructure projects

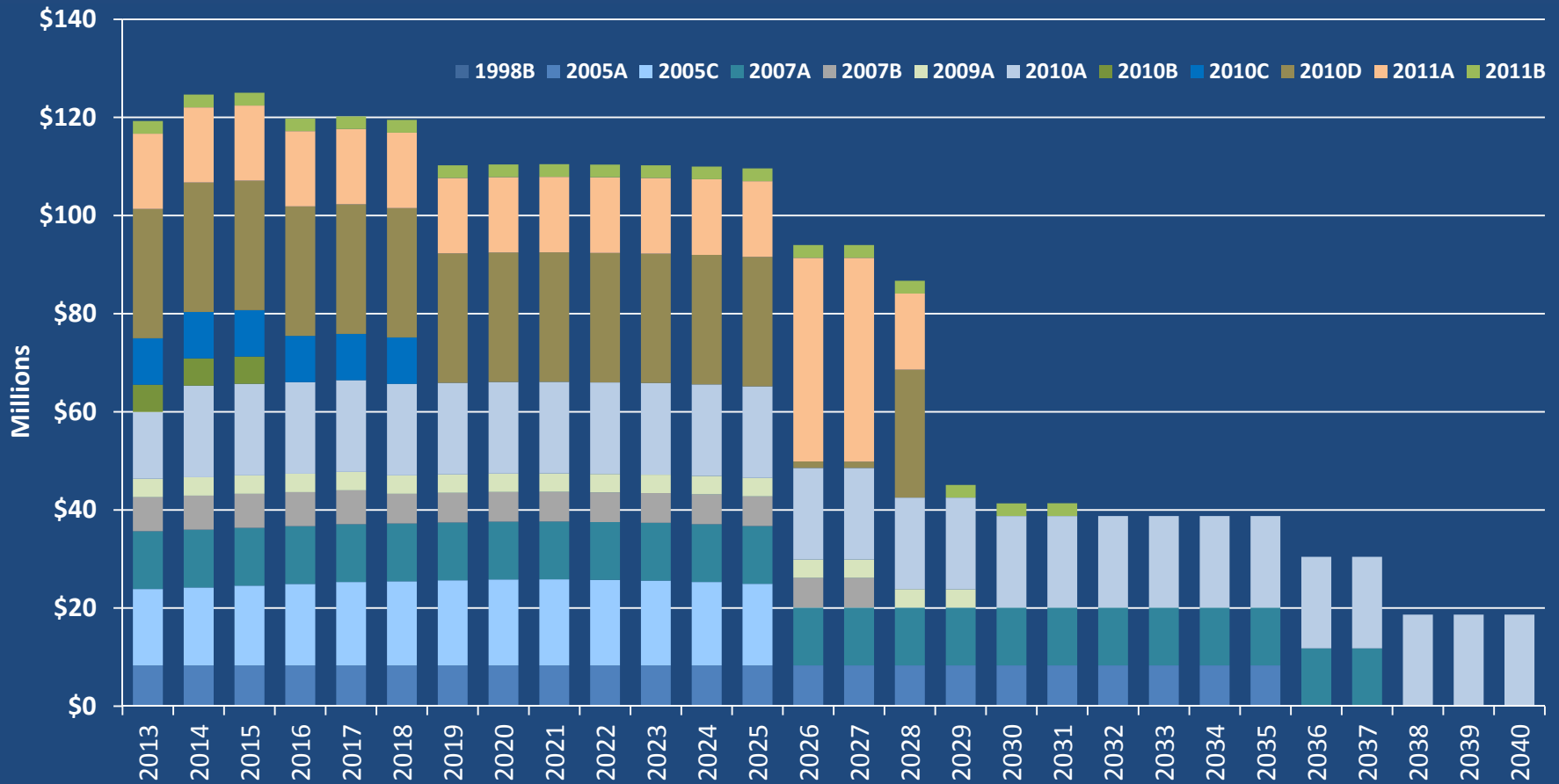


## ***OVERVIEW OF THE AIRPORT BONDS***

- ✈ PHL has \$1.37 billion of Airport Revenue Bonds outstanding as of April 1, 2013
- ✈ PHL has a \$350 million Commercial Paper program with \$13 million currently outstanding
- ✈ All City of Philadelphia Airport Revenue Bonds are secured by Project Revenues including Airline Revenues, Non-Airline Revenues, Outside Terminal Area Revenues and Airfield Area Revenues
- ✈ Certain Airport Revenue Bonds (Series 1998B, 2010D, 2011A) include the additional pledge of Passenger Facility Charges (“PFC”) Revenues, in addition to Project Revenues
- ✈ The parity sinking fund reserve requirement of \$118 million is funded by a combination of cash and a \$23.97 million Assured Guaranty surety policy
  - Due to the downgrade of AGM by Moody’s to A2, the City is diligently pursuing remedies to meet the requirements of GARBO



# PHL DEBT PROFILE – DECLINING DEBT SERVICE STRUCTURE PROVIDES FUNDING CAPACITY







## COMMERCIAL PAPER PROGRAM

- ✈ Implemented a Commercial Paper Program to better manage cash needs for construction
  - \$350M program
  - Draws will be a mixture of Taxable, AMT and Non-AMT
  - \$13 million of taxable CP currently outstanding
  - Three LOC providers
  - Four CP Dealers: Barclays, Loop, PNC, Wells Fargo

	Barclays LOC	PNC LOC	Wells Fargo LOC
Amount of LOC	\$125,000,000	\$83,000,000	\$142,000,000
Ratings	P-1/A-1/F1	P-1/A-1/F1	P-1/A-1+/F1+
Series A Tax Exempt (Non-AMT)	Series A-1	Series A-2	Series A-3
Series B Tax Exempt (AMT)	Series B-1	Series B-2	Series B-3
Series C Federally Taxable	Series C-1	Series C-2	Series C-3



# Capital Plan & Capacity Enhancement Program





## CURRENT AIRPORT LAYOUT – “BOXED IN”

- 4 Runways

- 2 Primary

- 9L/27R  
9,500 ft.
    - 9R/27L  
10,506 ft.

- 2 Secondary

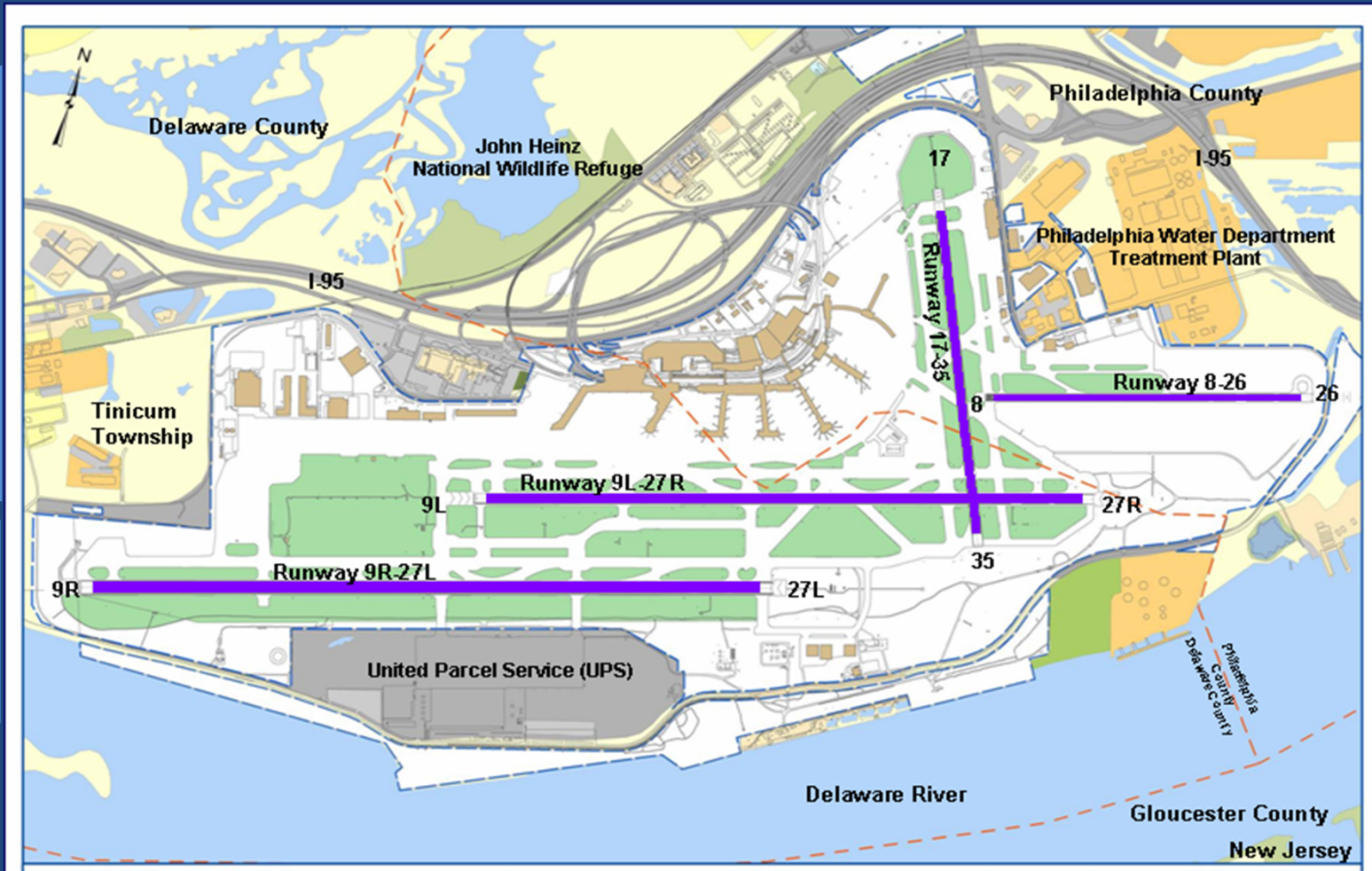
- 8/26  
5,000 ft.
    - 17/35  
6,500 ft.

- 2,370 acres

- 7 Terminals

- 126 Gates

- 3.1 sq. ft. (in millions)







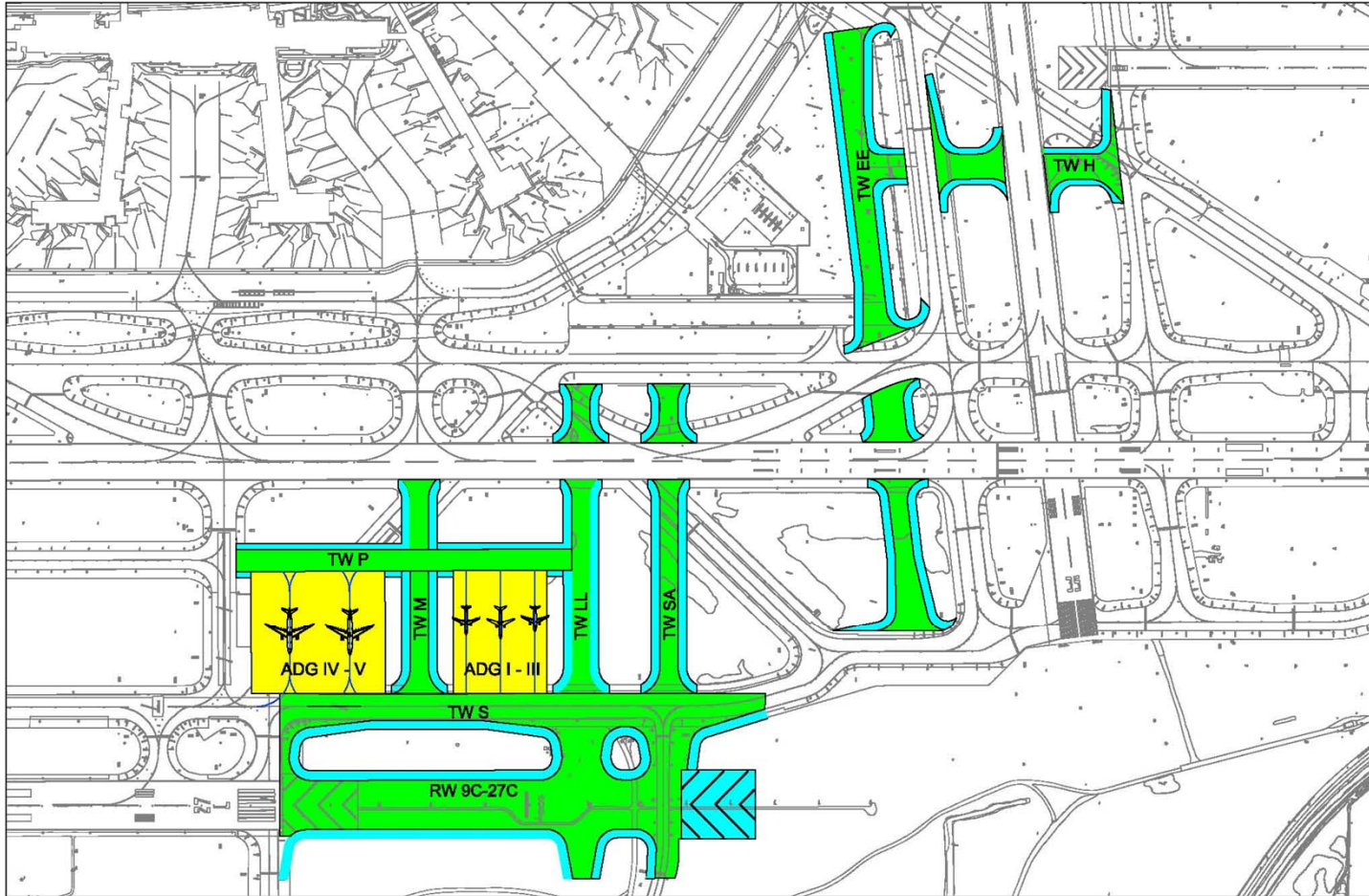
*Existing Conditions and Proposed Improvements*





**Existing Conditions and Proposed Improvements**





**Stage I Airfield Development**





## ***CAPACITY ENHANCEMENT PROGRAM (CEP) IS MODULAR***

- Overall CEP is a \$6.4 billion\* program with multiple steps over a 13-year construction cycle
  - Record of Decision published in January 2011
  - FAA Letter of intent received in September 2011 for \$466.5M
- CEP includes airside, terminal and landside components:
  - Airside work designed to reduce delay & enhance capacity
  - Terminal development to maintain airside/landside capacity balance and to upgrade existing facilities
  - Ground transportation facilities & an automated people mover system to reduce roadway congestion
- In 2013, airlines approved \$1.15 billion of new capital projects including initial components of CEP



## ***CAPACITY ENHANCEMENT PROGRAM (CEP) – INITIAL PHASE***

- ✈ **\$1.15B of CIP and Phase 1 of the CEP approved and underway**
  - Land acquisition
  - Environmental mitigation
  - Significant planning and early design
  - New Runway 9R-27L enabling projects
  - Existing Runway 9R-27L extension
  - Ground Transportation Center
  
- ✈ **Program Management Office and Owner's Representative hired**
  - PMO is Global Program Partners, a tri-venture comprised of CH2M Hill, CMTS and Delon Hampton Associates
  - Owner's Rep is David Brush
  
- ✈ **\$350M Commercial Paper program has been implemented**



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# Conclusion







## ***PHL'S STRONG CREDIT FUNDAMENTALS***

- ✈ Large O&D passenger base
- ✈ Wide selection of domestic and international routes
- ✈ Strong local market supports continued operations in US Airways / American merger scenario
- ✈ Solid financial performance
- ✈ Manageable capital plan and plans to implement multi-year Capital Enhancement Program (CEP) in phases
- ✈ Extension of airline lease to advance Phase 1 projects in the CEP



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An aerial night photograph of a modern airport terminal. The terminal features a prominent, curved glass and steel roof structure that is illuminated from within, creating a bright glow. The tarmac in the foreground is filled with several commercial aircraft, including a large blue and red plane. In the background, the airport's infrastructure, including runways and taxiways, is visible against the dark night sky. The city lights of the surrounding area are also visible in the distance.

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***Thank You!***