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Muni-Bond Buyers Wish for ‘Time Machine’ as Airport Sells Debt.

- **Atlanta’s airport, one of world’s busiest, to sell muni bonds**
- **Bond sale unlikely to face penalty despite rising Covid cases**

When the Hartsfield-Jackson Atlanta International Airport offers nearly \$342 million of municipal debt Tuesday, bond investors may wish they could go back in time.

When the airport, one of the busiest in the world, sold bonds during the depths of the pandemic in September 2020, it paid 49 basis points above AAA rated securities on debt due in 2030. Since then, the additional yield that investors could get on airport bonds has dwindled, lowering the yield penalty on those Atlanta bonds to 19 basis points in secondary market trading on Sept. 8.

Betting on bonds that will benefit from the pandemic recovery is a trade that’s losing its shine in the municipal market. The additional yield that investors received on airport debt has dwindled after the market’s steep selloff in spring 2020 as buyers became more confident in airports’ ability to weather the pandemic.

“If I had a time machine I’d like to go back to May 2020 and buy a bunch of these,” said Paul Toft, senior portfolio manager for municipal investments at Key Private Bank.

Toft said he’ll likely sit out this week’s sale because airport bonds have become “overvalued” over the last six to 12 months.

Why It’s Noteworthy

Municipal-bond investors have been showing confidence in airports, citing their ample supply of liquidity going into the pandemic. Cash on hand for airports rated by Moody’s Investors Service totaled 652 days in fiscal 2019, a record.

Atlanta’s Department of Aviation, which operates the city-owned airport, had 1,026 days of cash on hand as of June 30, 2021. The federal government has provided several rounds of aid to airports through stimulus legislation, and Atlanta’s has received nearly \$800 million in relief.

Jason Appleson, a portfolio manager at PT Asset Management, said the airport benefits from its large size and being the largest hub for Delta Air Lines Inc. “They’re well positioned to sustain a temporary loss of passengers from Covid,” he said.

He said credit spreads in the bond market haven’t reacted much to the spike in Covid-19 cases. U.S. carriers have warned that the rise in Covid-19 infections is delaying their recovery after a strong travel season this summer.

Greg Richardson, chief financial officer of the airport, said in an emailed statement that the airport is seeing signs of “traffic recovery.” Enplanements in June 2021 totaled about 75% of June 2019

levels, according to bond offering documents. He said the airport has about \$600 million of unused pandemic relief aid which it can use to address future challenges.

Market's View

The Atlanta airport debt is rated Aa3 by Moody's, which said the airport is in a "solid position." Loop Capital Markets is serving as the senior manager on the sale.

Richardson said the airport is expecting very strong interest from investors and he hopes to achieve savings of more than \$90 million from the refinancing.

"The market for airport debt remains strong as investors understand the essential role ATL and other airports serve in the national and global transportation network," he said.

Toft said expects the Atlanta airport deal to price around 20 basis points higher than five-year AAA debt issued by Georgia, which he uses as a proxy for where top-rated municipal credits are trading. He said higher quality debt may make more sense given there is "downside" potential for airports with credit spreads at tight levels.

Appleson said he would consider buying the debt if there was a price "concession" but said he has not been actively buying airport bonds.

"Spreads are so tight in the sector that you're not getting paid to take airport bond risk," he said.

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