

# PORT AUTHORITY OF GUAM

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## NEWS RELEASE

### Moody's Raises Port's Outlook to Stable

**Piti, Guam, May 14 2021:** Moody's Investors Service raised its outlook for the Port Authority of Guam from negative to stable today, pointing to low leverage, strong liquidity and the Port's ability to remain fully operational during the coronavirus pandemic.

Governor Lou Leon Guerrero praised the Port for how far it has come over the last 2.5 years.

"The Port's most recent efforts to ensure the stabilization of the agency's finances is to be commended and is consistent with our Administration's work with the Government of Guam's General Fund," the Governor said. "Lt. Governor Josh Tenorio and I want to congratulate the Board of Directors and the management and staff for yet another major success in the area of their finances. The Port's work to stabilize finances and provide transparency and accountability has not gone unnoticed and has been recognized on local and national levels."

The authority issued \$71.445 million in 2018 Series port revenue bonds to finance a portion of the port authority's capital improvement program, fund a debt service reserve and redeem existing bank loans. The bonds are fully amortizing, have a debt service reserve funded at maximum annual debt service and a final maturity of July 1, 2048. Maximum annual debt service is around \$6.5 million and average annual debt service is around \$4.1 million over the life of the debt.

"Our work to deliver responsible and transparent financial management is being acknowledged with this recent good news on the financial front," said Port General Manager Rory J. Respicio. "Our finance team, under the leadership of the Port's Financial Affairs Controller Jojo Guevara, have worked tirelessly to make these successes a reality for our agency and the people of Guam."

Not only did Moody's Investors Service raise the Port's outlook to stable from negative, but the service also affirmed the Baa2 rating assigned to the Port Authority of Guam's senior port revenue bonds. The affirmation of the Baa2 rating and outlook change to stable follows Moody's rating action on the Government of Guam's general obligation bonds rating which was affirmed at Ba1 with a stable outlook on 4 May 2021.

"The Port Authority of Guam's Baa2 rating reflects its position as the sole commercial port in Guam, handling around 90% of the territory's imported cargo, including a significant portion of military cargo," stated Moody's in a release. "Leverage is low (3.4x adjusted debt to operating revenue in fiscal 2020) and liquidity remains strong. The port remained fully operational during the coronavirus pandemic."

The release also indicated that Moody's expects that the authority will maintain healthy credit metrics with debt service coverage (DSCR) around 2.0x through the cycle. DSCR

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based on the indenture calculation dropped to 1.26x in 2020 (Moody's net revenue DSCR 1.75x in fiscal 2020) and recovered to 1.7x as of Jan 2021 based on an unaudited basis. Constraining credit factors include the small scale, high customer concentration, exposure to weather-related events, the linkages to the credit quality of the Government of Guam and a high fixed cost base as an operator port.

"The port authority's liquidity position remains strong, partially also because of a high amount of unspent 2018 bond proceeds," the release stated. "Total cash and investments as of January 31, 2021 were around \$109 million, of which \$49 million is reserved for construction projects and around \$2.0 million is for the debt service reserve. The rest of the funds are for operations, crane acquisitions reserves, facility maintenance, crane related operations, operations reserves and other funds that are required in the bond indenture."

A copy of Moody's release is attached.

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