PORT AUTHORITY OF GUAM
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NEWS RELEASE

S&P Global Ratings Affirms Port's Long-Term 'A' Rating, Maintains Stable Outlook

Piti, Guam, October 30, 2024 – S&P Global Ratings has reaffirmed the Port Authority of Guam's long-term 'A' rating on its series 2018 Port Revenue Bonds and maintained its outlook at stable, as per the latest assessment.

"The stable outlook reflects our expectation that port activity will continue to demonstrate resilience in the aftermath of Typhoon Mawar, and remain near current levels," the S&P Global Ratings report states. "The outlook also reflects our expectation that key financial metrics will remain sufficient for the rating and the port's debt capacity will remain strong."

The stable outlook reflects S&P's expectation that the Port will continue to demonstrate resilience in port activity and maintain sound financial metrics, especially following the impact of Typhoon Mawar in 2023. The Port's debt capacity and coverage ratios have also remained strong, which is essential for continued operations and funding future infrastructure projects.

"The rating reflects our opinion of an island port that has relatively stable container volumes given its role as sole provider of maritime facilities and services in Guam and stabilizing military presence due to its strategic importance to the U.S. military, despite relatively high shipping carrier concentration and being located in a region prone to severe weather events," the S&P Global Ratings report states. "The rating also reflects our expectation that the authority's DSC (as per our calculations), debt burden, and liquidity will remain at levels we consider strong, low, and adequate, respectively."

Port General Manager Rory J. Respicio commented, "Our high rating reflects prudent management and the dedication of our Port Strong employees, whose hard work and commitment I am deeply proud to be a part of as a member of the Port Strong family. This achievement aligns with the vision set by Governor Lou Leon Guerrero, Lt. Governor Josh Tenorio, and our Board of Directors, underscoring the importance of the Department of Defense addressing its *Guam DoD Master Plan (Part 1B: Government of Guam Gap Analysis and Execution Plan, 10/2024)* to realize its commitment to building Guam's resilience and strategic capacity in the Indo-Pacific."

According to the S&P report, key credit strengths include:

- Relatively stable container volumes given its virtual monopolistic position as the sole provider of maritime facilities and services in Guam and its strategic importance to the U.S. military;
- Strong coverage (S&P Global Ratings-calculated) that S&P expects will be maintained above 1.25x;
- Robust liquidity, with days cash on hand exceeding 200 days the past two fiscal years, that S&P expects to remain and a low debt burden and anticipated low additional debt needs.

Respicio remarked, "Our high rating is proof positive of the strong management and dedicated leadership at the Port, and it's a direct reflection of our Port Strong team's commitment to Guam's future. For anyone trying to distract from our mission, here's the message: we're here, we're focused, and this administration continues to deliver results. This positive rating from S&P Global reinforces the strides we're making toward operational excellence and fiscal health, positioning the Port as a reliable logistics hub for Guam's commercial and military stakeholders alike."

A complete copy of the S&P Global Ratings report is attached. -30-

S&P Global
Ratings

RatingsDirect®

Summary:

Guam Port Authority; Ports/Port Authorities

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Credit Highlights

- S&P Global Ratings' long-term rating on the Guam Port Authority's (the authority or the port) series 2018 port revenue bonds is 'A'.
- The outlook is stable.

Security

A senior, statutory lien on the authority's net revenues, less crane surcharges, facility maintenance fees, and public marina revenues, secures the series 2018 bonds. However, under the indenture, for purposes of calculating coverage per the rate covenant and additional bonds test (ABT), the authority is permitted to include crane surcharges used to pay debt service or operating expenses. Bond provisions also include a 1.25x rate covenant and ABT. The indenture coverage calculation also permits noncash accounting adjustments, including those related to pension and other postemployment benefits (OPEB), and is 2.3x for fiscal 2023. S&P Global Ratings' debt service coverage (DSC) calculations indicate historically strong coverage levels, including 2.38x in fiscal 2023. Bond covenants also require a debt service reserve, fully funded with bond proceeds at the lowest of 10% of par, 125% of average annual, or maximum annual debt service.

As of Sept. 30, 2024, the port has approximately $57.2 million of debt outstanding, consisting solely of port revenue bonds. The authority has no direct-purchase obligations, variable-rate debt, or swaps outstanding.

Credit overview

The rating reflects our opinion of an island port that has relatively stable container volumes given its role as sole provider of maritime facilities and services in Guam and stabilizing military presence due to its strategic importance to the U.S. military, despite relatively high shipping carrier concentration and being located in a region prone to severe weather events. The rating also reflects our expectation that the authority's DSC (as per our calculations), debt burden, and liquidity will remain at levels we consider strong, low, and adequate, respectively.

The key credit strengths, in our view, are the port's:

- Relatively stable container volumes given its virtual monopolistic position as the sole provider of maritime facilities and services in Guam and its strategic importance to the U.S. military;

- Strong coverage (S&P Global Ratings-calculated) that we expect will be maintained above 1.25x;
- Robust liquidity, with days cash on hand exceeding 200 days the past two fiscal years, that we expect to remain so; and
- Low debt burden and anticipated low additional debt needs.

Offsetting credit weaknesses, in our view, are the port's:

- Exposure to environmental risks, especially related to typhoons, with considerable damage and disruption in May 2023 caused by Typhoon Mawar, the strongest tropical cyclone to hit the island in more than 20 years;
- Shallow economic base, with exposure to modest fluctuations in demand due to cyclicality;
- Concentrated customer base with about 39% of operating revenue and 51% of cargo volume attributed to Matson Navigation Inc., and significant volume related to U.S. military activity on the island; and
- Very large liabilities combining pension and OPEB, along with a low pension funded ratio.

Environmental, social, and governance

We reviewed the port's environmental, social, and governance risks relative to its market position, management and governance, and financial performance. We believe the port's physical environmental risks as a small island territory in the Pacific Ocean are elevated, and moderately credit negative, given the island's exposure to typhoons, rising sea levels, and tsunamis. We consider social and governance credit factors as neutral in our credit analysis.

Outlook

The stable outlook reflects our expectation that port activity will continue to demonstrate resilience in the aftermath of Typhoon Mawar, and remain near current levels. The outlook also reflects our expectation that key financial metrics will remain sufficient for the rating and the port's debt capacity will remain strong.

Downside scenario

We could lower the rating if the port encounters a sustained decline in activity levels related to exposure to international trade and global economic conditions that weakens financial performance or market position. We could also lower the rating if additional borrowing or decreases in operations result in weaker DSC.

Upside scenario

We do not expect to raise the rating over the outlook horizon given our view that DSC metrics are unlikely to materially improve to stronger levels and the port's exposure to periods of volatility and physical risks.

Guam Port Authority, Guam--financial and operating data

	--Fiscal year ended Sep. 30--					Medians for 'A' category rated ports
	2023	**2022**	**2021**	**2020**	**2019**	**2023**
Financial performance						
Total operating revenue ($000s)	60,615	57,698	55,059	54,679	55,265	109,526
Less: total O&M expenses and like transfers out, if any, net of noncash expenses	49,554	50,218	44,349	44,722	41,588	56,041
Numerator for S&P Global Ratings' coverage calculation ($000s)	13,690	7,480	10,710	9,957	13,677	MNR
Total debt service ($000s)	5,753	5,754	5,753	5,752	3,146	16,768
Denominator for S&P Global Ratings' coverage calculation ($000s)	5,753	5,754	5,753	5,752	3,146	MNR
S&P Global Ratings-calculated coverage (x)	2.38	1.30	1.86	1.73	4.35	2.38
Debt and liabilities						
Debt ($000s)	60,314	62,720	65,280	67,745	70,125	262,250
EBIDA ($000s)	11,061	7,480	10,710	9,957	13,677	40,590
S&P Global Ratings-calculated net revenue ($000s)	13,690	7,480	10,710	9,957	13,677	44,612
Debt to net revenue (x)	4.4	8.4	6.1	6.8	5.1	5.2
Debt to EBIDA (x)	5.5	8.4	6.1	6.8	5.1	6.5
Liquidity and financial flexibility						
Unrestricted cash and investments ($000s)	28,567	33,180	10,134	20,019	16,580	77,769
Available liquidity, net of contingent liabilities ($000s)	28,567	33,180	10,134	20,019	16,580	MNR
Unrestricted days' cash on hand	210.4	241.2	83.4	163.4	145.5	MNR
Available liquidity to debt (%)	47.4	52.9	15.5	29.6	23.6	MNR
Operating metrics - port						
Total tonnage (000s)	1,167	1,118	1,084	1,112	1,153	11,154
Containers (000s)	85,627	89,052	86,794	85,143	84,954	MNR

O&M--Operations and maintenance. EBIDA = Total operating revenue - total O&M expenses excl. noncash expenses. S&P Global Ratings-calculated net revenue = (Total operating revenue + other recurring nonoperating revenue committed to debt service) - total O&M expenses excl. noncash expenses. Available liquidity = unrestricted cash and investments + total contingent liquidity resources - contingent liabilities. Examples of total contingent liquidity resources include working capital line of credit and other available cash reserves not already included in unrestricted cash and investments. See Global Not-For-Profit Transportation Infrastructure Enterprises: Methodologies And Assumptions criteria for more S&P Global Ratings definitions and calculations. N/A--Not applicable. N.A.--Not available. MNR--Median not reported. N.M.--Not Meaningful.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

This report does not constitute a rating action.