

Plenary Justice (SA) Pty Ltd

13 July 2021

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Issuer Outline

Plenary Justice (PJ) is a special purpose vehicle created to issue the bonds associated with the development, construction and maintenance of the South Australian Police and Courts Project under a private public partnership (PPP) with the State of South Australia. The project consists of nine police and court facilities in six different locations across metropolitan and regional South Australia. PJ has freehold rights to all six of the project's sites. PJ is owned by entities associated with Palisade (49.9%), CDPQ (39.9%) and Plenary Group (10.2%).

The project has a concession term of 25 years, which included a staged construction phase of around 15 months completed in late 2006.

All lifecycle obligations and the standard facility management obligations, such as cleaning and basic security, are performed by PJ. In return, PJ is entitled to receive availability-based payments from the state throughout the concession term, subject to performance abatements

Security
AUD37.65m 3.67% Jun 2030

ISIN
AU300PLJP014

Currency
AUD

Type
Senior secured

Key Terms

Coupon Type	CPI Linked	Amount Issued/Outstanding	AUD37.65m/AUD25.31m
Rate	3.67%	Minimum Amount	AUD10,000
Frequency	Quarterly	Denomination	AUD1,000
Domicile	Australia	AU Withholding Tax Exempt	Yes

Key Dates

Issue Date	15 June 2005	Maturity Date	15 June 2030
Call Dates	n/a		

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Strengths

- PJ's availability based revenue stream is underpinned by the project's concession contract with a highly rated state government counterparty. The payments are not subject to volume risk, which enhances stability
- As the building phase of the project was completed in 2006, PJ is now in the low risk operational phase, with the operations contract continuing through to 2029, in line with the maturity of the debt
- As the project is diversified across six locations, the project does not have the single asset risk present in many PPP structures
- PJ's senior secured CPI indexed annuity bonds are scheduled to fully amortise by their maturity date in 2030, removing refinance risk.
- Moody's has expectation of high recoveries in the unlikely event of early termination, which is underpinned by the termination payment provisions in the transaction documents and PJ's freehold ownership of all the facility sites
- Bondholders, as senior secured creditors, hold security over the assets of the group, which include PJ's rights under the concession contract, insurance policies as well as cash reserves.

Risks

- As with most of its PPP peers, PJ is highly leveraged with low cashflow coverage levels. This means PJ has limited ability to withstand unexpected financial or operational performance difficulties. Despite this, Moody's noted that with a forecast debt service coverage ratio of 1.25x over the life of the project, PJ, whilst highly leveraged, maintains a stronger financial position than many of its PPP peers
- Unlike many of PJ's PPP peers, the owners of the project provide operating services in-house which leaves the business exposed to price fluctuations, particularly to lifecycle obligations, which are not benchmarked. Soft services which are also provided by the group (including cleaning, facilities management, building security – not prisoner or courtroom security, waste, etc.) are subject to benchmarking, decreasing the risk in the provision of these services. Moody's believes that the exposure is mitigated by PJ's track record of resolving operational issues at the facilities on a timely basis, the absence of abatements since project inception and the low complexity of its operating tasks.

Other risks

- Call risk: n/a
- Duration risk: n/a
- Interest deferral/cancellation: n/a
- Non-viability trigger: n/a

Summary

The Plenary Justice 15 June 2030 inflation linked bond offers investors inflation protection in an investment grade mature infrastructure asset. The underlying revenues servicing the PJ bonds are largely backed by the South Australian State Government.

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