

Plenary Health (Casey) Finance Pty Ltd

13 July 2021

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Issuer Outline

Plenary Health (Casey) Finance Pty Ltd (PHF) is the finance vehicle for Plenary Health, the concession holder responsible for the design, construction, financing and operations of the 229-bed Berwick Community Hospital in Victoria. Construction was completed in 2004 and Plenary Health will provide facilities management services until the end of the concession in 2029. Plenary Health is managed by the Plenary Group, an international provider of infrastructure (which also owns 10.2% of the project).

The bulk of Plenary Health's revenue comes from the Victorian government in the form of an availability payment but also receives some additional revenue from the operation of an on-site car park.

Plenary Health subcontracted the facilities management services to Brookfield Global Integrated Solutions (BGIS) for the term of the concession. BGIS is a merged entity constituting the Australian operation of Brookfield Multiplex Services and Johnson Controls Global WorkPlace Solution. Brookfield Multiplex Services has operated Berwick Community Hospital since operational commencement.

Security
AUD87m 4.38% Sep 2029

ISIN
AU300PHFL019

Currency
AUD

Type
Senior secured

Key Terms

Coupon Type	CPI Linked	Amount Issued/Outstanding	AUD87m/AUD58.3m
Rate	4.38%	Minimum Amount	AUD10,000
Frequency	Quarterly	Denomination	AUD1,000
Domicile	Australia	AU Withholding Tax Exempt	Yes

Key Dates

Issue Date	9 May 2003	Maturity Date	15 September 2029
Call Dates	n/a		

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Strengths

- As the building phase of the project was completed in 2004, Plenary Health is now in the low risk operational phase, with the operations contract continuing through to 2029, in line with the maturity of the debt
- Plenary Health'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
- Plenary Health has subcontracted the facilities management services to BGIS under a fixed rate facilities management contract for the term of the concession, ensuring a low risk operational structure. Under the contract, BGIS will bear the operational risk, including any potential financial penalties for poor performance.
- Further to this Moody's noted that when compared to other Australian PPP hospital projects, Plenary Health 's operating responsibilities are simpler, because:
 - 1) the company is not required to provide any cleaning services to the interior of the hospital; and
 - 2) the facility is a simple regional hospital.
- PHF has two tranches of senior secured CPI indexed annuity bonds outstanding, totalling AUD89m. Both bonds are scheduled to fully amortise by their maturity date in 2029
- Bondholders, as senior secured creditors, hold security over the assets of the group, which include Plenary Health's rights under the concession contract, insurance policies as well as cash reserves.

Risks

- In return for the service fee, Plenary Health is required to meet specific service standards. Failure to meet these standards may result in an abatement in the revenue stream, however it is important to note that the key performance indicators are not unduly onerous. Moody's noted that there have been no abatements since the commencement of operations in 2004.
- The state has announced an AUD134.9m expansion of the hospital, involving the construction of a new acute inpatient tower that would increase the footprint of the hospital by 35%. Plenary Health will be exposed to risk associated with the expansion project after commissioning due to physical and contractual linkages. Though, Moody's believe this risk is manageable due to:
 - 1) the nature of the ExpansionCo's operating tasks, and
 - 2) credit enhancements provided by ExpansionCo. These enhancements include the reimbursement of net abatement incurred by Plenary Health during the first 12 months of full operation, if they are caused by the expansion.
- As with most of its PPP peers, PHF is highly leveraged with low cashflow coverage levels. This means PHF has limited ability to withstand unexpected financial or operational performance difficulties

Other risks

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

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Summary

The Plenary Health (Casey) Finance Pty Ltd 15 September 2029 inflation linked bond offers investors inflation protection in an investment grade mature infrastructure asset. The underlying revenues servicing the PHF bonds are largely backed by the Victorian State Government.

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