

# JEM (CCV) Pty Ltd

30 June 2020

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## Issuer Outline

JEM (CCV) Pty Limited (JEM (CCV)) is the financing vehicle of The Liberty Group Consortium Pty Limited (TLG). TLG entered into contractual arrangements in 2000 with the Victorian State Government to build, own and operate the new Victorian County Court Facility in Melbourne for 20 years under a Court Services Agreement (CSA). Construction of the facility was completed in 2002 and in addition to the CSA, the state granted TLG a 99 year crown lease over the site.

TLG is responsible for the provision of facility maintenance and court services including IT services and security. In return, TLG receives periodic payments from the state comprising an Accommodation Services Charge (ASC) and a Court Services Fee (CSF).

TLG's facility maintenance obligations are subcontracted to Honeywell Limited (Honeywell), a subsidiary of Honeywell International Inc., for the term of the concession.

Security  
AUD136m 4.73% Jun 2022

ISIN  
AU000JCCV015

Currency  
AUD

Type  
Senior secured

## Key Terms

Coupon Type	CPI linked	Amount Issued/Outstanding	AUD136m/AUD18.8m
Rate	4.73%	Minimum Amount	AUD50,000
Frequency	Quarterly	Denomination	AUD10,000
Domicile	Australia	AU Withholding Tax Exempt	Yes

## Key Dates

Issue Date	15 June 2000	Maturity Date	15 June 2022
Call Dates	n/a		

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## JEM (CCV) Pty Ltd

### Strengths

- The revenue stream for the project comes from the Victorian State Government, is very stable. In addition, this availability payment stream is CPI linked and is not exposed to volume risk.
- TLG has transferred a high proportion of its contractual operating responsibilities to an experienced operator, Honeywell. In addition, the risk of poor operational performance is also passed onto to Honeywell during the project term. Honeywell has evidenced its strong performance track record since operations commenced in 2002, with no revenue deductions incurred for performance issues to date.
- TLG's operating cost is highly predictable due to its fixed-price contract with Honeywell for the term of the concession. Honeywell is responsible for performing all TLG's facility maintenance obligations, with the exclusion of reporting and insurance.
- In comparison to other Australian PPPs, TLG's regime is comparatively lenient, given the time available for TLG to resolve any failure and provide substitutes prior to incurring deductions on any KPI breaches.
- Around 88% of the project's total income is independent of actual court usage. Although a component of TLG's revenue receipts (court reservation and usage fees) are driven by the number of courts reserved and used, Moody's considers its exposure to court demand risk as manageable.
- Court Services Victoria (CSV) is contractually required to reserve a minimum number of court rooms on an annual basis and TLG is able to meet its debt service payments without any usage fee or court reservation fee above the CSV minimum reservation requirement.
- The project's cash flows are expected to exhibit a debt service coverage averaging 1.49x over the life of the project, providing a buffer in case of cash flow fluctuations.
- It is expected that the coronavirus outbreak and social distancing measures will have a negligible impact on the project's operations and capacity to service its debt obligations, given that the majority of TLG's revenue is derived from non volume-based payments, which are sufficient to cover the project's debt service obligations.

### Risks

- TLG is responsible for the provision of court services (including IT services and building security), which Moody's considers to be more specialised in nature than the maintenance tasks generally contracted under more traditional PPP contracts such as schools or convention centres. Saying that, the court services' cashflows are not subject to abatement in the event of poor performance. Standard PPP services (such as maintenance or cleaning) are subject to abatement if performance does not achieve contractual standards.
- TLG's standard PPP services do not provide for benchmarking of operating costs and therefore exposes TLG to repricing risk should it need to replace Honeywell. We view this risk as limited, given that the project will expire in 2022.
- Unlike other PPP projects, TLG does not benefit from a termination payment mechanism if the PPP contract is terminated. In the event of a contractor default-triggered termination, bondholder recovery rates will depend on:
  1. the proceeds realised by the bond trustee selling the project via a market tender; and
  2. the value received from selling the crown leasehold interest.
- As with most of its PPP peers, TLG is highly leveraged with low cashflow coverage levels. This means TLG has limited ability to withstand unexpected financial or operational performance difficulties

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### Other risks

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

### Summary

The JEM (CCV) Pty Ltd 15 June 2022 inflation linked bond offers investors inflation protection in an investment grade mature infrastructure asset. The underlying revenues servicing the JEM (CCV) bonds are largely backed by the Victorian State Government.

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