

MPC Funding Ltd

22 March 2023

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Issuer Outline

MPC Funding Ltd is the financing arm of the Melbourne Convention Centre project. The development of the convention centre was via a Victorian government backed Private Public Partnership (PPP), with the Plenary Group Consortium (PCPL) engaged to design, construct and manage the facilities of the Melbourne Convention Centre.

Construction of the centre was undertaken by Brookfield Multiplex and was completed in 2008 with the official opening in May 2009. The centre achieved a 6 Green Star environmental rating, a world first for a convention centre. The convention centre consists of a 5,000 seat plenary hall, a 1,500 seat banquet hall, conference and meeting facilities and more than 2,800 car parking spaces.

The facilities maintenance contract during operations covers cleaning, security, asset maintenance and the management of car parking. In return for providing the contracted services PCPL receives a quarterly service payment from the Victorian state government. As a result, around 98% of PCPL's revenues come from the highly rated Victorian government (with the small remainder coming from car park management fees and advertising). The quarterly service payment covers operating and maintenance costs for the facility as well as debt service and equity returns. The payments are indexed at the greater of 2.5%pa or CPI and at the completion of the operating phase in 2033, the facilities are returned to the state.

Security
AUD50.5m 3.31% Dec 2025

ISIN
AU300MPCF026

Currency
AUD

Type
Senior secured

Key Terms

Coupon Type	CPI Linked	Minimum Amount	AUD10,000
Rate	3.31%	Denomination	AUD1,000
Frequency	Quarterly	Issuer Credit Rating	Refer to your Relationship Manager
Domicile	Australia	Issue Credit Rating	Refer to your Relationship Manager
Amount Issued/Outstanding	AUD50.5m/AUD9.9m	AU Withholding Tax Exempt	Yes

Key Dates

Issue Date	24 May 2006	Maturity Date	31 December 2025
Call Dates	n/a		

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Strengths

- This project is an availability based PPP project and as such there is no volume risk or competition. PCPL is simply required to ensure the convention centre is maintained in a state fit for use. The risks of facility usage (number of events held), marketing and event related cleaning are all borne by the State of Victoria. In addition, the nature of the contracted services is relatively simple. Further, Plenary Group is a highly experienced sponsor and investor in PPP projects, and takes an ongoing management role in the project
- MPC has relatively stable and predictable cash flows, with revenues in the form of availability based payments from the State of Victoria under a concession contract expiring in 2033.
- The bonds have the benefit of a guarantee of scheduled payments of principal and interest by Assured Guaranty, which provides the credit rating uplift to AA over the Issuer's underlying credit rating (i.e. the rating excluding the benefit of the guarantee)
- Consistent with its performance since opening, the project continues to track well, as evidenced by the continued ability to deliver the services with no major issues and the ongoing supportive relationship between PCPL, the State of Victoria and PCPL's key subcontractor, Brookfield Multiplex Facilities Management Ltd
- A number of dividend distribution tests have been incorporated into the project structure to ensure that dividends are not made to Investors which may otherwise be required to service senior bond cashflows
- The bond pays principal and interest over its term to maturity, and the project is not exposed to refinancing risk

Risks

- As with most of its PPP peers, MPC is highly leveraged with limited ability to withstand unexpected financial or performance stress. As is typical in PPP projects, PCPL's availability revenues are subject to performance deductions. This is mitigated by very strong cash flow retention in the event performance starts to gradually deteriorate.
- The project's cashflow is exposed to potential risk exposures such as failure of a major counterparty or contractor, significant ongoing performance issues or higher than expected capex or operating expenditure for the project. However, these are common exposures amongst PPP projects and are considered to be manageable given the strong performance history to date
- A potential escalation in capex costs, especially towards the end of the concession, represents a potential longer term risk as it is difficult to predict costs over the next 20 years. This is mitigated by the reserving mechanisms in place
- Unlike many PPPs in Australia, the project has multiple unrated service providers and the operating risks (costs and abatements) are not completely passed through. Brookfield Multiplex Facilities Management Ltd. (BMFM) will provide all the contracted services under the PA to PC, except car parking, general management, and reporting. Operating cost risks are shared between BMFM (20%) and PC (80%). BMFM or PCPL will bear 100% of abatement risk where either is at fault. However, where the cause is not clearly attributable to either party, the abatements will be shared as above. Car parking will be subleased to Austexx and the reporting functions will be outsourced to a new entity, Plenary Convention Services Pty. Ltd

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 MPC Funding Ltd 31 December 2025 indexed annuity senior secured bond offers investors inflation protection in an investment grade mature infrastructure asset. The underlying revenues servicing the MPC bonds are backed by the Victorian State Government, and the credit rating of the bond has been enhanced by a credit guarantee from Assured Guaranty. With its relatively long duration and repayment of principal, it suits investors with a longer investment horizon.

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