

RATING RELEASE

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CariCRIS reaffirms 'adequate creditworthiness' ratings assigned to The Port Authority of Jamaica (PAJ)

Caribbean Information and Credit Rating Services Limited (CariCRIS) has reaffirmed the assigned Issuer/Corporate credit ratings of *CariBBB+* (Foreign Currency Rating) and *CariA-* (Local Currency Rating) on the regional rating scale, and *jmAA* on the Jamaica national scale to the Port Authority of Jamaica (PAJ or the Authority). These ratings include a single notch up for the likelihood of support, if needed, from the Government of Jamaica (GOJ). The regional scale foreign currency ratings indicate that the level of creditworthiness of this obligor, adjudged in relation to other obligors in the Caribbean is **adequate**. The national scale ratings indicate that PAJ's creditworthiness, compared to other obligors in Jamaica, is **high**.

CariCRIS has assigned a **positive** outlook on the ratings. The positive outlook is predicated on the Authority's turnaround in its operating revenue and profit in FY2022 when compared to the prior year. With continued favourable performance anticipated, these metrics are forecasted to surpass pre-coronavirus (COVID-19) levels in FY2023 and FY2024, underpinned by increasing cruise tourism activity and the lessening impact of the pandemic. Consequently, the Authority's debt servicing and capitalisation metrics are also expected to further improve.

PAJ continues to be strategically important to the Government of Jamaica (GOJ), the domestic maritime sector and the wider economy. The Authority maintains a favourable market position in containerised cargo in Latin America and the Caribbean supported by strategically located ports. The privatization of some aspects of the commercial operations which support expansion and modernization initiatives as well as operating efficiency, also serve as key credit drivers. Further underpinning the ratings is PAJ's healthy financial performance supported by resilient cargo and returning cruise ship activity, a dynamic legislative framework which supports revenue stability and growth together with an adequate governance structure and risk management practices. The ratings are tempered by a high level of sovereign risk and uncertainties in the global environment that may present downside risks to PAJ's profitability.

Rating Sensitivity Factors

Factors that could, individually or collectively, lead to an improvement in the ratings and/or outlook include:

- An improvement in the credit rating of the sovereign over the next 12-15 months.
- A significant increase in total operating revenue or profit leading to the DSCR remaining above 1.5 times over the next year.

Factors that could, individually or collectively, lead to a lowering of the ratings and/or outlook include:

- Unexpected material changes in the terms and conditions of its concession agreements with its cargo operators due to force majeure that will negatively impact the payment of guaranteed fixed revenue to the Authority.
- A greater than 25% decline in operating revenue over the next 12-15 months.

About the company:

The Port Authority of Jamaica (PAJ or the Authority)¹ is a statutory body that was established by the Port Authority Act of 1972. The Authority is the principal maritime agency of the Government of Jamaica (GOJ) with both regulatory and development responsibilities for Jamaica's port and port facilities. PAJ reports directly to the Ministry of Economic Growth and Job Creation (MEGJC) and is a critical agency of the GOJ in the achievement of its Vision 2030 National Development Goal of economic growth and job creation.

In its regulatory role, the Authority monitors and regulates the navigation of all vessels accessing Jamaica's ports and harbours, including the setting of tariffs on all goods that pass through the public wharves. In addition, as the regulator for Jamaica's ports and maritime facilities, PAJ provides and regulates compulsory pilotage and tugboat services, provides and maintains all navigational aids including beacons and lighthouses, maintains ship channels to ensure safe access to ports and harbours in Jamaica and serves as a tribunal for wharfage tariffs. The PAJ is also the designated authority with responsibility for ensuring that all of Jamaica's ports comply with the International Maritime Organization's (IMO) International Ship and Port Facility and Security (ISPS) code. In its development role, the Authority develops and facilitates investments in seaport and supporting infrastructure. The Authority's development objectives are

¹ The registered legal entity which includes the Authority as well as its subsidiaries and associated companies.

aligned with the medium-term strategies of the GOJ. This includes the development of the Business Processing and Outsourcing (BPO) sector as a source of economic growth and job creation. In this regard, the PAJ provides around 1.6 million square feet (sq.ft.) of space for BPO operations across 3 locations: the Montego Bay Free Zone, The Kingston Free Zone² and the Jamaica International Free Zone.

PAJ derives its revenue from several commercial activities including Cargo and Cruise operations, Cargo Scanning and Ancillary services, Marine services, Land, Building and Equipment Leasing, Port Community Systems, Errol Flynn Marina and Boat Yard as well as other statutory related fees. As at March 2022, PAJ's 2 largest business lines, i.e. Cargo operations and Cargo Scanning and Ancillary services contributed approximately 62.9% of the Authority's total operating revenue. PAJ's corporate structure includes 6 subsidiary companies and 2 associated companies (Table A).

Table A
PAJ Corporate Structure as at March 2022³

² Includes the Portmore Informatics Park.

³ Latest information available.

Name	Type	Proportion of ownership interests	Principal activity
Kingston Free Zone Company Limited (KFZ) ¹	Subsidiary	72%	Rental of warehouses and property management
Montego Bay Free Zone Company Limited (MBFZ)	Subsidiary	100%	Rental of offices, factory space located in the Montego Bay export Free Zone area and property management services
Ports Management and Security Limited (PMSL) ²	Subsidiary	51%	Provision of security services at ports
Jamaica International Free Zone Development Limited (JIFZ) ³	Subsidiary	75%	Acquiring, developing and leasing property for the purpose of logistics and distribution activities
PAJ Marina Development Limited	Subsidiary	100%	Provision of boatyard services
KCT Services Limited	Subsidiary	100%	Formerly the provision of personnel services as well as the management of Kingston Container Terminal (KCT)
Security Administrators Limited (SAL) ⁴	Associate	33%	Provision of security at Port Bustamante
Montego Cold Storage Limited (MCSL) ⁵	Associate	33%	Rental of refrigerated warehouse

Source: PAJ 2021-2022 Annual Report.

¹ Kingston Free Zone Company Limited (KFZ) - The shares are owned by PAJ (72%) and GOJ (28%).

² Ports Management and Security Limited (PMSL) - PMSL is owned by PAJ (51%), Kingston Wharves Limited (KWL) (25%) and the Shipping Association of Jamaica (24%).

³ Jamaica International Free Zone Development Limited (JIFZ) - owned by the PAJ (75%) and ZIM Integrated Shipping Services (25%).

⁴ Security Administrators Limited (SAL) - owned by the PAJ (33%) and the remaining shares owned by KWL.

⁵ Remaining shares are owned by private investors.

For more information on PAJ's ratings, please visit www.caricris.com or contact:

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