CREDIT OPINION
3 December 2025

Update

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Port Authority of Guam

Update to credit analysis

Summary
The Port Authority of Guam's (Baa2 stable) credit profile benefits from its role as the sole commercial port in Guam, which provides a stable revenue generating base supported by strong rate raising ability. Margins have narrowed in recent years as the authority has held rates unchanged since 2021 despite significant inflationary pressures on operating costs. The port has submitted a rate increase to the Public Utilities Commission, which is expected to be approved in the coming months and would bolster revenues and improve coverage levels.

The port's small scale of operations is a credit weakness, as is its high customer concentration. The port also has elevated exposure to environmental risks, though the port recovered quickly from Typhoon Mawar (May 2023). The port has historically maintained low leverage, which provides resilience to cargo volatility.

Credit strengths

» Monopoly position as the sole commercial port in Guam

» Low leverage

» Solid liquidity

Credit challenges

» Small scale of operations and high customer concentration

» High fixed cost base

Rating outlook
The stable outlook reflects our expectation that planned rate increases will bolster revenues beginning in fiscal 2026, which will strengthen debt service coverage and support liquidity levels.

Factors that could lead to an upgrade

» Sustained volume growth that supports Moody's net revenue DSCR above 2.0x

» Days cash on hand maintained above 500 days on a sustained basis

» Diversification of the port authority's customer base

Factors that could lead to a downgrade

» Moody's net revenue DSCR below 1.5x

» Liquidity levels falling to around 225 days cash on hand on a sustained basis

» Loss of a material customer

Key indicators

Exhibit 1
Port Authority of Guam

(in $ thousands)	2020	2021	2022	2023	2024
Operating Revenue	54,627	55,059	57,698	60,615	58,667
Debt Outstanding	67,745	65,280	62,720	60,035	57,215
Total Adjusted Debt	185,023	195,402	163,700	151,980	141,999
Adjusted Debt to Operating Revenues	3.4x	3.5x	2.8x	2.5x	2.4x
Days Cash on Hand	355	361	429	368	344
Total Debt Service Coverage By Net Revenues	1.7x	2.0x	4.4x	3.0x	3.6x

Adjusted debt includes the adjusted net pension liability (ANPL).
Source: Moody's Ratings and Port Authority of Guam

Profile

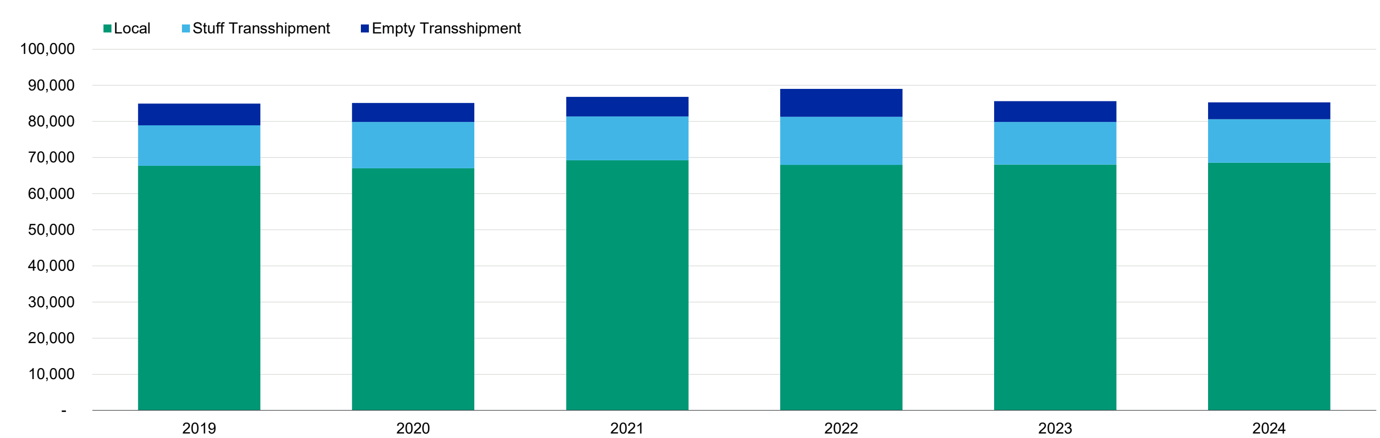
The Port Authority of Guam operates the Jose D. Leon Guerrero Commercial Port of Guam, the only commercial port in Guam. The port has a cargo terminal, industrial terminal, six cargo handling berths, cargo handling equipment and numerous support buildings and facilities. The authority generates all of its revenue from tariffs charged to its customers. Tariffs are subject to approval by the Public Utilities Commission (PUC) of Guam. The port handles more than 90% of the island's total imports, of which approximately 30% is military related.

Detailed credit considerations

Revenue Generating Base - Strength from monopoly position constrained by small scale

The port derives credit strength from its role as the sole commercial port in Guam, handling around 90% of the territory's imported cargo, of which approximately 30% is military related. Competition from other smaller ports in Micronesia only applies to a small volume of volatile transshipment cargo. The Port of Guam is the only port in the Micronesia region that has the infrastructure and equipment required to service container vessels with a capacity of up to 4,000 TEUs (twenty-foot equivalent units). Other ports in the region have more limited infrastructure, cranes and container handling equipment but attract transshipments through competitive pricing. The port faces limited restrictions to accommodate future growth related to the military build-up. The port's capacity limit is around 192,000 containers; in fiscal 2025, the port handled around 83,574 containers (147,469 TEUs), in-line with volumes over recent years. For fiscal 2026, management expects modest growth in container counts along with more robust growth in non-container cargo owing to ongoing construction projects on the island, particularly those related to the expansion of US military bases on the island.

Exhibit 2
Container volume has been stable



Source: Port Authority of Guam

The port's small scale of operations is a credit constraint, and customer concentration is elevated, an additional credit weakness. With $58.7 million of operating revenue in fiscal 2024, the port is of small scale, with smaller container and transshipment vessels servicing the port compared to other rated US ports. The port's three major ocean carrier customers represented 75% of total revenue in 2024.

Financial Operations and Position - Stable revenue with solid DSCR and DCOH

The port's credit is supported by a very stable revenue profile, which has proven resilient in recent years. Despite an effective closure of the island's tourism economy from the coronavirus pandemic and the impact of the Typhoon Mawar, the port's operating revenue between 2021 and 2024 averaged $58 million, in-line with pre-pandemic figures.

While revenue has been stable, the port's operating margins have narrowed in recent years as inflationary pressures drove operating expenses higher while the port maintained rates at 2021 levels. The port's last rate increase was 1% in 2021, with no increase from 2021-2025. The port is planning a multi-year rate increase to realign revenue with the higher cost base, with a proposed 17% rate increase to begin in fiscal 2026 and phase in fully through fiscal 2027. The rate plan is being reviewed by the Public Utilities Commission, with a decision expected shortly that should allow for implementation in January or February 2026.

We've noted in prior reports that the port is exposed to weather-related events that could affect revenue-generating activities. In late May 2023, Typhoon Mawar shut down port activities for several days, though early and prudent preparations limited the extent of damage, with sustained damage quickly remediated by the port. Longer-term, we expect port revenue to remain fairly stable - even as tourism activity resumes following the end of COVID-related restrictions in Japan and South Korea.

Debt service coverage for the port is sound and expected to remain around 2x on a net revenue basis. Debt service coverage in fiscal 2024 was healthy at 3.6x, up from 3.0x in 2023, which was reflective of insurance claim proceeds.

Liquidity

The port authority's liquidity position is healthy. Fiscal 2024 financials show unrestricted cash/discretionary reserves of approximately $50 million, representing 344 days cash on hand. The port has held more than 300 days cash on hand since 2016, a trend we expect will continue at least through the outlook period.

Debt and Other Liabilities

Excluding pensions, the port's direct leverage is low and supportive of its credit profile. At the end of fiscal 2024, the port had $57.2 million in revenue bonds outstanding. Debt to operating revenue was a fairly modest 1.0x, with a cash to debt ratio of 87%.

The port's capital plan includes a range of projects to modernize assets and improve resiliency. The sources of funding for these projects will include remaining proceeds from the port's 2018 bond issuance, as well as grants and local funding. Future bond issuances are possible but undetermined at this time.

Legal security

The port's bonds and repaid from the net revenue of the port. The revenue pledge excludes certain operating revenue including crane surcharge revenue, facility management fees and marina revenue. Bondholders benefit from a 1.25x rate covenant, a 1.25x maximum annual debt service additional bonds test and a cash funded debt service reserve sized at maximum annual debt service. Other reserve requirements include an O&M reserve fund and a renewal and replacement reserve fund.

Debt structure

The port's debt service is level at $5.75 million through 2029 then up to $17.88 million through final maturity in 2048.

Debt-related derivatives

The port has no debt-related derivatives.

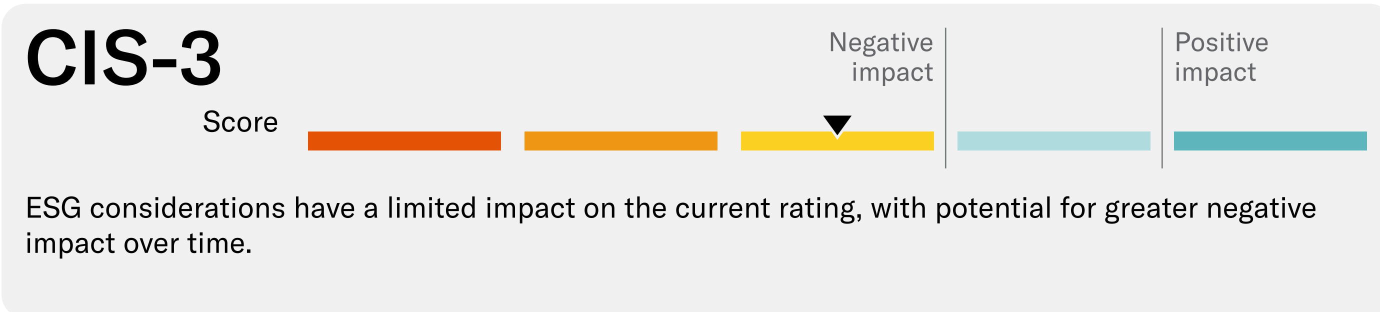
Pensions and OPEB

Pension liabilities are a drag on the port's credit profile. The Port Authority of Guam participates in the Government of Guam Defined Benefit Plan, a single-employer defined benefit pension plan administered by the Government of Guam Retirement Fund. For fiscal 2024, the port reported a net pension liability of about $70 million. Moody's adjusted net pension liability (ANPL) was around $84.6 million for the same period, reflective of our use of a 5.65% discount rate (versus the 7% assumed by Guam). Adjusted debt to operating revenue including the ANPL was 2.42x in fiscal 2024.

ESG considerations

Port Authority of Guam's ESG credit impact score is CIS-3

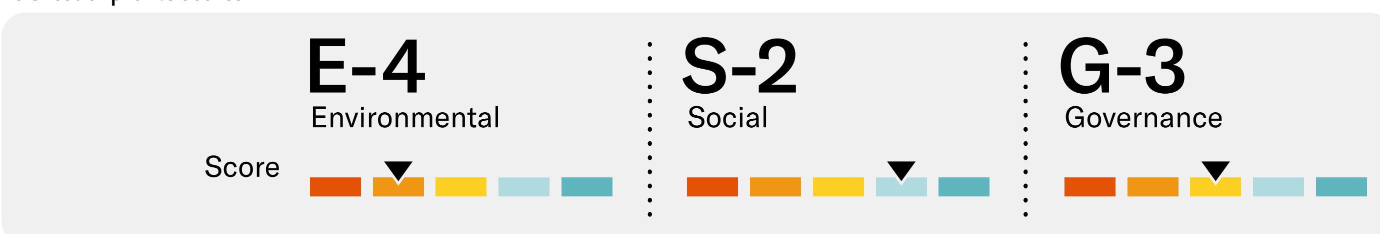
Exhibit 3
ESG credit impact score



Source: Moody's Ratings

The Port Authority of Guam's ESG credit impact score of **CIS-3** indicates that ESG considerations have a moderately negative impact on the rating. The score reflects the authority's highly negative environmental risk exposure that is tempered by neutral-to-low social risks and moderate exposure to governance risks.

Exhibit 4
ESG issuer profile scores



Source: Moody's Ratings

Environmental

E-4. In addition to heat stress, the port is exposed to typhoons and rising sea levels that may increase disruptions to operations and result in higher capital spending to fortify infrastructure. Efforts to mitigate carbon emissions and other air pollution associated with port operations may lead to higher investment and operational costs for the port.

Social

S-2. In general, Guam's resident population has been fairly stable, with historically substantial tourism and the US military presence on island affecting import demands. While port operations are labor intensive, which can pose human capital-related risks, labor union and other stakeholder relations on Guam have been good. Additionally, Guam is exempt from the Jones Act, which allows for the diversification of cargo away from ships that must meet its US-flag, US-ownership and US-crew provisions.

Governance

G-3. The Port Authority's governance risk exposure is elevated by its close linkage with the Government of Guam. The Authority's five board members are appointed by the governor with the advice and consent of the legislature, while tariffs are subject to approval by the Public Utilities Commission.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The principal methodology used in these ratings was Publicly Managed Ports methodology published in March 2023. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

The scorecard-indicated outcome for Port Authority of Guam is A3, which is two notches above the assigned rating of Baa2. Financial metrics are based on the 3-year average for fiscal 2021-2024. The assigned Baa2 rating is constrained by the authority's exposure to weather-related events including typhoons; the linkages to the credit quality of the Government of Guam (Baa3 stable); and high customer concentration.

Exhibit 5
Rating factors
Port Authority of Guam

Factor	Subfactor	Score	Metric
1. Market Position	a) Port Size (Operating Revenues) ($ millions)	Baa	58.7
	Service Area and Competition	Baa	
	Operational Restrictions	A	
2. Volatility and Diversity	a) Operating Revenue Volatility) (5-year operating revenue CAGR)	A	1.2%
	b) Customer Diversity	Caa	
3. Capital Program	a) Capital Needs Requiring Leverage	Baa	
4. Key Credit Metrics	a) Net Revenues DSCR (3 year avg)	Aa	3.7x
	b) (Debt + ANPL) to Operating Revenue (3 year avg)	A	2.6x
Notching Considerations		**Notch**	
	1 - Tax Support for Operations	0	
	2 - Liquidity- Cash to Debt	0.5	87%
Scorecard Indicated Outcome:		**A3**	

Source: Moody's Ratings

REPORT NUMBER 1464174

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