

September 2025

Rail Haulage Switch: PNHAU 7.75Nov2054 (BB: S&P) to MRGLGR 9.25 27May2030 (BB: S&P)

By Matthew Macreadie

We note the Magnetic Rail Group Pty Ltd (ORA) 9.25 27May2030 subordinated MTNs (BB: S&P) have lagged the BB credit market from a credit spread perspective which makes it either a good outright buy for new investors and/or a switch from existing BB holdings.

For comparison, clients can gain over 1% in yield to maturity / running yield from switching from PNHAU 7.75Nov2054 (BB: S&P) to MRGLGR 9.25 27May2030 (BB: S&P) for no additional credit risk. The PNHAU 7.75 12Nov2054 subordinated notes (BB: S&P) issued Nov 2024 can be sold at a margin of +363 vs the MGRLGR 9.25 27May2030s issued May 2025 which can be bought at a margin of +500. This dislocation in the credit spread levels between the two bonds provides a strong basis to facilitate a switch.

We like the credit profile of Magnetic Rail and the subordinated MTNs. Our initial credit opinion on the Magnetic Rail subordinated MTNs is attached within – but essentially these notes are issued in bond format and is a A\$175m issuance so has good liquidity compared to the Pacific National subordinated notes. One Rail Australia (ORA) provides rail haulage services for high-quality blue-chip customers located in Australia's premier coal regions. The business is underpinned by long-term contracts, with inflation linked pricing escalation. Furthermore, the core platform of financial stability for the business is provided via ORA's foundation operations, based in the Hunter Valley, hauling Glencore (Moody's A3 / S&P BBB+) coal production under exclusivity to the Newcastle Coal Terminal (until 2036). ORA operates a fleet of 51 active locomotives and 1,468 active wagons and has completed material growth capex (>\$150m since FY20D) to expand the fleet to service new contracted opportunities in QLD.

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