PACIFIC NATIONAL FINANCE PTY LTD

FACT SHEET

MAY 2026

IAM
INCOME ASSET MANAGEMENT

Issuer Outline

Pacific National Finance Pty Ltd provides rail transportation services. The Company transports coal, steel, agricultural products, construction materials, fuel, waste, and construction materials. Pacific National Finance serves agriculture, consumer goods, and mining industries in Australia.

Sector:	Industrial
Sub-Sector:	Transportation
Country:	AU
Ownership:	Private

Issuer Credit Rating & Outlook

Agency	**Rating**	**Outlook**
S&P	BBB-	Stable
Moody's	-	-
Fitch	BBB-	Stable

Key Financials (A$m)

For Year Ending June 30	**FY24**	**FY25**	**YoY Change**
Income Statement			
Operating revenue	2,299	2,128	-7%
Operating expenses	1,711	1,549	-9%
Underlying EBITDA	588	579	-2%
EBITDA margin	25.6%	27.2%	+160bps
Underlying EBIT	177	178	~flat
Net finance expense	177	189	+6%
Volumes (Selected)			
Coal tonnes (Mt)	122	117	-4%
Bulk tonnes (Mt)	15.2	14.7	-3%
Intermodal ('000 TEU)	701	651	-7%
Steel tonnes (Mt)	0.89	0.69	-23%
Balance Sheet			
Total assets	4,771	4,851	+2%
Total equity	756	664	-12%
Drawn debt	2,991	3,070	+3%
Lease liabilities	216	309	+43%
Cash	49	201	+312%
Net debt	3,158	3,178	+1%
Cash Flow & Capex			
Net operating cash flow	386	391	+1%
Growth capex	43	124	+188%
Sustaining capex	275	251	-9%
Total capex	~318	~375	+18%

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Summary Bond Details

ISIN	Currency	Ranking	Coupon	First Call Date	Legal Maturity Date	Issue Rating (S&P/Moody's/Fitch)
AU3CB0244325	AUD	Sr Unsecured	5.40%	-	12/05/2027	BBB- / - / BBB-
AU3FN0035770	AUD	Sr Unsecured	3mBBSW + 2.60%	-	12/05/2027	BBB- / - / BBB-
AU3CB0282812	AUD	Sr Unsecured	3.80%	10/06/2031	08/09/2031	BBB- / WR / BBB-
AU3CB0266906	AUD	Sr Unsecured	3.70%	24/06/2029	24/09/2029	BBB- / WR / BBB-
AU3FN0094504	AUD	Subordinated Hybrids	3mBBSW + 3.85%	12/11/2029	12/11/2054	BB / WR / BB
AU3CB0316438	AUD	Subordinated Hybrids	7.75%	12/11/2029	12/11/2054	BB / WR / BB

IAM Credit View - BUY

Pacific National is a solid BBB- infrastructure credit with strong market position, improving operational execution and solid liquidity. The credit continues to be protected given infrastructure-style cash flows from long-dated contracts. Near-term credit risk is driven by volume recovery, continued delivery of cost-out initiatives, and elevated leverage (~5x; forecast to drop) and limited rating headroom. Margin momentum, recent contract wins (e.g. 10-year Whitehaven, 20-year Veolia), and balance-sheet discipline should support the FY26 EBITDA outlook. Pacific National is on track to achieve about A$65m in cost savings in FY26. The company is exploring opportunities to sell assets to reduce debt. Furthermore, the A$500m in hybrids raised in FY25 which have equity credit support capital structure.

We believe there is an opportunity for the senior unsecured/subordinated hybrids to outperform other BBB & BB corporates as investors start pricing the securities without significant ESG risk. Any potential sale of stake in Pacific National remains an event risk. We will continue to monitor any potential transaction and its impact on the company's strategy, financial policies, or capital structure. We note that Pacific National's subordinated hybrids contain a provision for substantial increase in margin, if a change-of-control is followed by a rating downgrade.

Issuer Description

Pacific National is one of the largest providers of rail freight haulage in Australia. The company solely provides above-rail services and does not own or operate rail tracks. Coal haulage accounts for about 40% of Pacific National's operating revenue, comprising metallurgical coal and thermal coal in largely equal proportions. The balance of its revenue comes from intermodal freight (about 40%) and other services (20%), including bulk, regional, import-export and property.

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Pacific National is 100% held by a consortium comprising of Canada Pension Plan Investment Board (33%), Global Infra Partners (27%), China Investment Corp. (16%), GIC Pvt. Ltd. (12%) and British Columbia Investment Management Corp. (12%) through a holding company called Australian Logistics Acquisition Holdings Pty Ltd. (ALAH)

Positives of Pacific National Pty Ltd

- **Infrastructure-like business with strong market positions.** Pacific National is a leading national rail freight operator with dominant share on key corridors (notably east–west intermodal and coal haulage in NSW/QLD). High barriers to entry (rail access, terminals, rolling stock, scale) provide structural protection against new competition and support pricing power.
- **Long-dated, high-quality contract portfolio.** Revenue is underpinned by long-term contracts with blue-chip counterparties, particularly in coal, bulk and waste. Many coal contracts are take-or-pay, materially reducing volume and cash-flow volatility. Recent wins (e.g. 10-year Whitehaven, 20-year Veolia) improve earnings visibility and duration.
- **Demonstrated cost discipline and margin resilience.** A$67m of business-improvement benefits delivered in FY25, with momentum continuing into FY26. Despite weaker volumes, EBITDA margins expanded to 27.2%, highlighting strong execution, pricing discipline and productivity gains. Stronger 2H FY25 EBITDA shows operational leverage as savings flow through.
- **Improving operational efficiency and fleet quality.** Ongoing fleet renewal (new 94-class locomotives) and retirement of older assets improve reliability, fuel efficiency and maintenance outcomes. Supports medium-term margin sustainability and reduces operational risk.
- **Stable balance sheet, strong liquidity and funding flexibility.** Net debt broadly flat YoY despite a difficult operating environment. A$145m asset sale (St Marys terminal) provided balance-sheet support. Capital allocation remains conservative, with shareholder distributions on hold to prioritise deleveraging and credit strength. A$900m of undrawn committed bank facilities provides ample liquidity headroom. Well-laddered maturity profile (WAM ~3.6 years) and diversified funding sources reduce refinancing risk.
- **Clear commitment to investment-grade credit rating and supportive ownership base.** Management explicitly re-affirmed its commitment to maintaining an investment-grade credit rating. Ongoing review of non-core assets and disciplined capex phasing support this objective. Ownership by large global infrastructure investors provides financial flexibility, governance discipline and long-term strategic alignment, which is credit-positive in downside scenarios.

Negative Risk Factors of Pacific National Pty Ltd

- **Volume cyclicality and demand weakness.** Intermodal volumes declined 7% YoY, reflecting weaker consumer demand and ongoing softness in domestic freight markets. Coal and steel volumes were also lower, affected by weather disruptions and mine-specific production issues. Earnings recovery remains exposed to the pace and durability of volume normalisation, particularly in intermodal.
- **Coal remains a material contributor to revenue and EBITDA**, leaving the business exposed to: Weather volatility, counterparty operational issues (e.g. mine outages), and longer-term energy transition pressures.

While contracts are long-dated and largely take-or-pay, coal still introduces structural ESG and terminal-value risk.

- **Elevated leverage and limited rating headroom.** Net debt remained broadly flat at ~A$3.18bn, despite asset sale proceeds. Credit metrics therefore rely on future earnings growth and continued cost-out, rather than material debt reduction in FY25. This leaves limited buffer against downside scenarios relative to a BBB- rating profile.
- **Execution risk on cost and productivity programs.** Margin resilience in FY25 was driven by A$67m of business improvement benefits. Ongoing credit repair assumes continued delivery of savings and productivity gains into FY26. Any slippage in execution would directly pressure margins and deleveraging capacity.
- **Capital-intensive business model.** Rail operations require ongoing, non-deferrable capex for fleet renewal, infrastructure access and safety. FY25 capex remained high (~A$375m), constraining free cash flow and slowing balance-sheet repair. Capital intensity reduces flexibility in downturns.

Issuer Commentary

FY25 Results Update

Pacific National delivered resilient FY25 performance despite a challenging volume environment, with strong cost execution and margin improvement offsetting softer intermodal and coal volumes. Management emphasises continued momentum into FY26 and a clear focus on preservation of an investment-grade credit rating.

Operating performance improved materially, with A$67m of business-improvement benefits delivered in FY25, supporting EBITDA stability and margin expansion. Underlying EBITDA was A$579m (-2% YoY), while margins increased to 27.2% (FY24: 25.6%), reflecting pricing discipline and productivity initiatives. Second-half EBITDA strengthened despite weaker volumes, highlighting operational leverage and execution.

Volumes were weaker across key segments, driven by softer consumer demand, weather disruptions and mine-specific issues: intermodal TEUs (-7% YoY), coal tonnes (-4%), and steel volumes (-23%). Bulk volumes were more resilient, supported by a strong grain season and restructured contracts. Fleet renewal continued, with delivery of new 94-class locomotives and retirement of older assets improving efficiency and reliability.

Commercial momentum remains positive, with several long-dated, high-quality contract wins reinforcing PN's competitive position. Key highlights include a 10-year Whitehaven Coal contract (NSW) with volume growth from FY26, a 20-year Veolia waste rail and infrastructure contract, and multiple intermodal renewals, securing 9 of the top 10 intermodal customers. These wins partially offset the loss of the Boral bulk contract and underpin medium-term earnings visibility.

Balance-sheet position stabilised in FY25. Net debt was A$3.18bn, broadly flat YoY, with proceeds from the A$145m St Marys terminal sale largely offset by higher lease liabilities. Capital discipline remained tight, with capex of ~A$375m, focused on fleet renewal and selective growth. Shareholder distributions remain suspended, prioritising deleveraging and credit protection.

Liquidity is strong, with A$900m of undrawn committed bank facilities, weighted average debt maturity of 3.6 years, and weighted average cost of debt of 5.4%. Management reiterated commitment to an investment-grade credit rating, ongoing review of non-core assets, and disciplined capital allocation.

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