

January 17, 2018

Credit Headlines (Page 2 onwards): Wharf Holdings Ltd, ESR REIT, City Developments Ltd

Market Commentary: The SGD swap curve flattened yesterday with the swap rates trading 1-2bps higher for the shorter tenors while the long tenors traded 1-2bps lower. Flows in SGD corporates were heavy, with better selling seen in WINGTA 4.08%-PERPs. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS fell 1bps to 108bps while the Bloomberg Barclays Asia USD HY Bond Index average rose 51bps to 328bps. 10Y UST yield fell 1bps to 2.54% yesterday amid Congressional talks to avert a government shutdown Friday.

New Issues: ANZ New Zealand (Int'l) Ltd (London Branch) has priced a two-tranche deal for its USD1bn bond issuance (guaranteed by ANZ Bank New Zealand Ltd), with the USD500mn 3-year Fxd priced at CT3+63bps, broadly in line with initial guidance of CT3+63-65bps area and the USD500mn 10-year bond priced at CT10+95bps area, in line with its initial guidance. The expected issue ratings are 'AA-/A2/AA-'. SSMS Plantation Holdings Pte Ltd has priced a USD300mn 5NC3 bond (guaranteed by PT Sawit Sumberas Sarana Tbk and PT Citra Borneo Indah) at 8%, tightening from its initial guidance of 8.125%. The expected issue ratings are 'NR/B1/B+'. Sunny Optical Technology Company Ltd has priced a USD500mn 5-year bond at CT5+150bps, tightening from its initial guidance of CT5+185bps area. The expected issue ratings are 'NR/Baa2/NR'. Concord New Energy Group Ltd has priced its USD200mn 3-year bond (guaranteed by certain non-PRC subsidiaries of the issuer) at 7.9%, tightening from initial price guidance of 8.25%. The expected issue ratings are 'BB-/NR/BB-'. CIFI Holdings Co Ltd has priced a USD300mn 5NC3 bond (guaranteed by certain non-PRC subsidiaries of the issuer) at 5.625%, tightening from its initial guidance of 5.875%. The expected issue ratings are 'B+/B1/BB'. Mitsui Fudosan Co Ltd has launched its guidance for its USD300mn 5-year bond at CT5+62.5bps, tightening from its initial price guidance of CT10+75 area. Ping An Bank Co Ltd is in talks with lead managers for its first potential USD bond issuance. Zhong Yi Holdings Ltd has scheduled for investor meetings from 17 Jan for

Table 1: Key Financial Indicators

	17-Jan	1W chg (bps)	1M chg (bps)		17-Jan	1W chg	1M chg
iTraxx Asiax IG	61	2	-9	Brent Crude Spot (\$/bbl)	69.15	0.48%	9.36%
iTraxx SovX APAC	10	0	-4	Gold Spot (\$/oz)	1,341.44	1.86%	6.27%
iTraxx Japan	43	-1	-4	CRB	195.11	1.13%	5.73%
iTraxx Australia	54	1	-7	GSCI	450.91	1.61%	7.44%
CDX NA IG	48	2	-1	VIX	11.66	22.48%	23.78%
CDX NA HY	109	0	0	CT10 (bp)	2.533%	-2.34	18.04
iTraxx Eur Main	44	0	-3	USD Swap Spread 10Y (bp)	1	3	2
iTraxx Eur XO	231	4	-5	USD Swap Spread 30Y (bp)	-18	4	2
iTraxx Eur Shr Fin	43	-1	-4	TED Spread (bp)	29	-2	-1
iTraxx Sovx WE	0			US Libor-OIS Spread (bp)	25	0	4
iTraxx Sovx CEEMEA	32	-3	-4	Euro Libor-OIS Spread (bp)	1	0	-1
					17-Jan	1W chg	1M chg
				AUD/USD	0.799	1.85%	4.23%
				USD/CHF	0.959	1.99%	2.77%
				EUR/USD	1.230	2.94%	4.39%
				USD/SGD	1.320	1.12%	2.10%
Korea 5Y CDS	42	-1	-13	DJIA	25,793	2.02%	4.63%
China 5Y CDS	47	4	-5	SPX	2,776	1.04%	3.76%
Malaysia 5Y CDS	53	3	-8	MSCI Asiax	749	1.40%	7.85%
Philippines 5Y CDS	54	3	-7	HSI	31,905	2.88%	10.60%
Indonesia 5Y CDS	79	2	-12	STI	3,550	0.85%	3.90%
Thailand 5Y CDS	40	1	-5	KLCI	1,826	0.17%	4.16%
				JCI	6,430	0.89%	5.07%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
17-Jan-18	CIFI Holdings Co Ltd	'B+/B1/BB'	USD300mn	5NC3	5.625%
17-Jan-18	Concord New Energy Group Ltd	'BB-/NR/BB-'	USD200mn	3-year	7.9%
17-Jan-18	Sunny Optical Technology Company Ltd	'NR/Baa2/NR'	USD500mn	5-year	CT5+150bps
17-Jan-18	SSMS Plantation Holdings Pte Ltd	'NR/B1/B+'	USD300mn	5NC3	8%
17-Jan-18	ANZ New Zealand (Int'l) Ltd (London Branch)	'AA-/A2/AA-'	USD500mn	10-year	CT10+95bps
17-Jan-18	ANZ New Zealand (Int'l) Ltd (London Branch)	'AA-/A2/AA-'	USD500mn	3-year	CT3+63bps
16-Jan-18	Guangxi Financial Investment Group Co Ltd	'NR/Ba1/NR'	USD500mn	3-year	5.95%
15-Jan-18	GLL IHT Pte Ltd	Not rated	SGD350mn	Perp NC5	4.6%
12-Jan-18	Moss Creek Resources Holdings Ltd	'B+/NR/NR'	USD700mn	8NC3	7.5%
12-Jan-18	Heaton Holdings Ltd	Not rated	SGD118mn	3.5-year	6.08%

Source: OCBC, Bloomberg

New Issues (cont'd): its potential USD bond issuance (guaranteed by Si Chuan Province JuYang Group Ltd). The expected issue ratings are 'NR/B3/B'.

Rating Changes: Moody's has assigned an 'A2' rating to Wharf REIC Finance (BVI) Ltd's USD senior unsecured notes issued by its wholly-owned financing subsidiary of Wharf Real Estate Investment Company Ltd (WREIC). The outlook is stable. The rating action reflects Wharf REIC's strong tenancy management, sizeable and good quality assets as well as its diversified asset types located in prime commercial locations in Hong Kong. While Moody's expect WREIC to continue its sustainable business strategy and prudent financial management, Moody's acknowledged risks arising from WREIC's revenue and asset concentration in two key assets in Hong Kong. Moody's has assigned PT Sawit Sumberas Sarana Tbk's (SSMS) senior unsecured bond a 'B1' rating. The outlook is stable. The rating action reflects SSMS's efficient upstream operations, with a track record of profitable and cash generative operations through the crude palm oil cycle. This is coupled with Moody's expectation of increased diversification and sale in PT Citra Borneo Indah's (CBI) downstream operations once its refinery commences operation in 2018. Moody's has upgraded Fosun International Ltd's corporate family rating to 'Ba2' from 'Ba3', and revised its outlook on the rating to stable from positive. The rating action reflects Fosun's established track record of managing its acquired businesses as well as its improved business profile which is expected to reduce its volatility in its future performance.

Credit Headlines:

Wharf Holdings Ltd ("WHARF"): WHARF won a 11,300 sqm land plot (max GFA: 40,500 sqm) for HKD12.5bn, which is located in Kowloon Tong. We expect WHARF to fund this through its cash holdings of HKD63.3bn (1H2017 pro forma) and expect WHARF to maintain a ~HKD2bn net cash position following the transaction. We continue to maintain WHARF at a Neutral (3) issuer profile. (Deal Street Asia, OCBC)

ESR REIT ("EREIT"): EREIT announced its full year results ending December 2017 ("FY2017"). Gross revenue declined 2.1% y/y to SGD109.7mn while net property income ("NPI") declined 4.7% y/y to SGD78.4mn. The lower NPI was attributable to (1) loss of revenue as certain properties transitioned from being single-tenanted to multi-tenanted and (2) the increase in property operating expenses. Nonetheless, EBITDA fell more at 5.5% y/y to SGD69.3mn as higher legal and consultancy fees were incurred during the year. Borrowing cost was held steady during the year as part-debt funded acquisitions at EREIT only occurred in the last quarter of the year. We find EBITDA/Interest at 3.4x against 3.5x in FY2016. In December 2017, EREIT completed the acquisition of 8 Tuas South Lane ("Hyflux building") and an 80%-stake in an investment holding company which owns 7000 Ang Mo Kio Avenue 5. In aggregate, EREIT paid SGD351mn in cash for acquisitions during the year though it received SGD57.3mn in disposal proceeds from other properties which helped lower total investment outlays. The funding gap was funded by a combination of its maiden perpetuals raised in October 2017 and additional borrowings. Aggregate leverage as at 31 December 2017 rose to 39.6% mainly as a result of new debt and slight corrosion in its asset base. In FY2017, EREIT took SGD41.8mn in fair value loss from its annual independent valuation exercise. Assuming 50% of perpetuals as debt, we find adjusted aggregate leverage at 44%. EREIT had earlier announced that the elevation of aggregate leverage was temporary, and EREIT would undertake an equity fundraising to pare down debt. EREIT is proposing to issue up to 263mn in new units via a private placement and/or a non-renounceable preferential offering to existing unitholders. We take comfort that EREIT's Sponsor ESR Cayman Limited has undertaken to subscribe for its full entitlement and any unsubscribed units under the preferential offering up to SGD125.0mn. EREIT's proforma leverage is expected to reduce to ~32% post the completion of the equity fundraising. All properties remain unencumbered as at 31 December 2017. The only short term debt due is the SGD155mn EREIT'18s bonds which would mature in November 2018 (representing 23% of total debt). We see manageable refinancing risk at EREIT and continue to hold EREIT's issuer profile at Neutral(4). (Company, OCBC)

Credit Headlines (cont'd):

City Developments Ltd (“CDL”): CDL announced that it will not be extending the closing date (currently 23/01/18) for the acquisition of the balance of Millennium & Copthorne Hotels Plc (M&C) that it does not already own. CDL had previously revised the offer higher to 620 pence per share (of which 600 pence in cash and 20 pence in special dividend). There had been reports that minority shareholders of M&C were not satisfied with the offer. With the current closing price of M&C’s shares trading at 569 pence, it would seem that the market does not believe that the transaction would go through. We have previously opined that CDL’s net gearing may surge to pro-forma ~32% assuming the completion of both the M&C transaction as well as the ~SGD723mn for Amber Park acquisition. If we exclude the M&C impact though, net gearing would only increase to pro-forma 21% (from 15%). As mentioned previously, even if the M&C transaction were to go through, CDL’s credit profile would have remained more conservative compared to its peers. As such, we will retain our Positive (2) Issuer Profile. (Company, OCBC)

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