

May 13, 2019

Credit Headlines: Hyflux Ltd, Wing Tai Holdings Ltd

Market Commentary

- The SGD swap curve flattened last Friday, with most tenors trading within 1bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was little changed at 132bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 6bps to 482bps.
- Flows in SGD corporates were heavy, with flows seen in SOCGEN 6.125%-PERPs, FPLSP 4.98%-PERPs and KEPSP 3.66%'29s.
- 10Y UST yields rose 2bps to 2.47%, as worries regarding an escalating trade war between the US and China diminished, offsetting the earlier drop in yields from the weaker-than-expected inflation data. Tariffs on USD200bn worth of Chinese goods came into effect on Friday, just as both sides were engaged in trade talks to de-escalate the conflict. Tariffs still remain for now, however, the latest round of talks would proceed onto further discussions.

Credit Headlines

Hyflux Ltd (“HYF”) | Issuer Profile: Unrated

- It has been reported that Middle Eastern full service utility and developer Utico FZC has now submitted a binding offer of investment in HYF. This follows last week’s updates from HYF on (1) the dismissal of applications by HYF’s unsecured lenders to place HYF into Judicial Management; (2) an additional short term extension of the debt moratorium to 29 May 2019; and (3) the receipt of a non-binding letter of intent from Utico FZC.
- Utico FZC’s offer apparently includes SGD400mn in funds for equity, working capital and urgent interim liquidity. Other than that, terms of the deal remain limited including what existing senior and subordinated creditors would be offered as part of the investment proposal.
- Separately, HYF also announced that it has received another non-binding letter of intent from investment fund Oyster Bay Fund Ltd to invest up to SGD500mn. While terms of this investment are also not available, HYF has indicated that the investment remains subject to regulatory clearance and due diligence.
- Despite these positive developments, HYF continues to engage with potential investors with an important consideration the provision of short term liquidity funding. This is critical given HYF’s current liquidity situation as disclosed in its [most recent affidavit dated 30 April 2019](#).
- Additional overall considerations for any deal (in addition to the detailed terms) to investors will also be the choice between a financial or strategic investor. In the likely event that any restructuring proposal would result in investor’s capital remaining in the company for longer, then an investment proposal that could provide longer term benefits against short term gains may be the more preferred option. It should also be noted that the proposal will need to placate the unsecured lenders who currently view Judicial Management as the more preferred option (Company, OCBC)

Credit Headlines (cont'd)

Wing Tai Holdings Ltd (“WTH”) | Issuer Profile: Neutral (4)

- WTH announced 3QFY2019 results for the quarter ending 31 Mar. Revenue fell 9% y/y to SGD65.3mn, likely due to significant lower development revenue with lower completed but unsold inventory. Share of profits from associated and joint venture companies fell 85% y/y to SGD10.5mn mainly due to lower contribution from Wing Tai Properties Ltd (“WTP”) and absence of [disposal gain from Winner Godown Building in 3QFY2018](#) at WTP. As a result, net profit fell 85% y/y to SGD10.3mn.
- That said, sales is progressing at The Garden Residences (40%-owned JV with Keppel), which launched in June 2018. 49 units were sold for SGD44.6mn in 3QFY2019 and another 17 units have been sold since Apr 2019 for SGD17.1mn as of writing. In total, 140 out of 613 total units have been sold since launch.
- Net cash position is smaller at SGD9.7mn q/q (2QFY2019: SGD50.6mn) due to SGD48.5mn net cash used in operations, mainly due to SGD58.9mn net cash used in operations which is mainly due to working capital changes with trade and other payables falling to SGD58.1mn q/q (2QFY2019: SGD83.2mn). We think WTH will tip into net debt position with net gearing rising to ~14% following the [acquisition of the land parcel at Middle Road for SGD492.0mn in Apr 2019](#). We expect net gearing would increase to ~19% (3QFY2019: 4.2%) if we adjust perpetuals (which are senior) as debt. We think net gearing may still increase as we note WTH is still on the lookout for investment opportunities in Singapore and overseas.
- While the acquisition size of the land parcel at Middle Road is large, WTH maintains ample liquidity with cash of SGD639.8mn. WTH is also comfortable with minimal near term debt due after refinancing SGD152.9mn of borrowings. We continue to hold WTH at a Neutral (4) Issuer Profile. (Company, OCBC)

Table 1: Key Financial Indicators

	<u>13-May</u>	<u>1W chg (bps)</u>	<u>1M chg (bps)</u>
iTraxx Asiax IG	70	3	6
iTraxx SovX APAC	45	2	3
iTraxx Japan	58	4	5
iTraxx Australia	71	3	4
CDX NA IG	61	2	4
CDX NA HY	107	0	-1
iTraxx Eur Main	65	7	7
iTraxx Eur XO	281	28	33
iTraxx Eur Snr Fin	79	9	9
iTraxx Sovx WE	17	1	0
AUD/USD	0.698	-0.21%	-2.75%
EUR/USD	1.123	0.30%	-0.63%
USD/SGD	1.365	-0.15%	-0.89%
China 5Y CDS	46	2	5
Malaysia 5Y CDS	63	4	11
Indonesia 5Y CDS	102	3	7
Thailand 5Y CDS	37	0	-1

	<u>13-May</u>	<u>1W chg</u>	<u>1M chg</u>
Brent Crude Spot (\$/bbl)	70.75	-0.69%	-1.12%
Gold Spot (\$/oz)	1,283.97	0.22%	-0.31%
CRB	178.95	-1.55%	-5.00%
GSCI	434.34	-1.21%	-4.01%
VIX	16.04	24.63%	33.56%
CT10 (bp)	2.433%	-3.58	-13.17
USD Swap Spread 10Y (bp)	-2	0	-1
USD Swap Spread 30Y (bp)	-26	-1	-3
US Libor-OIS Spread (bp)	16	-1	-3
Euro Libor-OIS Spread (bp)	6	0	0
DJIA	25,942	-2.12%	-1.78%
SPX	2,881	-2.18%	-0.89%
MSCI Asiax	646	-2.77%	-5.15%
HSI	28,550	-5.09%	-4.55%
STI	3,240	-1.54%	-2.76%
KLCI	1,605	-1.72%	-1.56%
JCI	6,207	-0.80%	-3.11%

New issues

- Bank of China/Hong Kong has priced a USD100mn 2-year bond at 2.90%.
- Zhongrong International Bond 2019 Limited has priced a USD301.41mn 3-year bond (guarantor: Zhongrong International Holdings Limited), with USD82.77mn issued at 7.60% in line with final guidance and USD218.64mn of its existing ZHNBND 6.95%'19s tendered for exchange.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
10-May-19	Bank of China/Hong Kong	USD100mn	2-year	2.90%
10-May-19	Zhongrong International Bond 2019 Limited	USD301.41mn	3NP2	7.60%
9-May-19	Asian Infrastructure Investment Bank	USD2.5bn	5-year	MS+6bps
9-May-19	Yankuang Group (Cayman) Limited	USD500mn	YGCZCH 6.0%'22s	5.5%
9-May-19	E-House (China) Enterprise Holdings Limited	USD100mn	EHOUSE 7.75%'21s	8.5%
9-May-19	Industrial and Commercial Bank of China Limited	USD200mn	2-year	2.5%
8-May-19	CCBL (Cayman) 1 Corporation Ltd	USD500mn USD200mn	5-year 10-year	T+130bps T+195bps
8-May-19	MGM China Holdings Limited	USD750mn USD750mn	5NC2 7NC3	5.375% 5.875%
7-May-19	Car Inc	USD372.3mn	3-year	8.875%
7-May-19	Woori Financial Group Inc	USD450mn	5-year	3M-US LIBOR+77bps
7-May-19	Qingdao Jiaozhou Bay Development Group Co Ltd	USD80mn	QDJZWD 6.5%'21s	7.2%
2-May-19	Medco Oak Tree Pte Ltd	USD650mn	7NC4	7.70%
2-May-19	SD International Sukuk Ltd	USD300mn	3-year	6.30%
2-May-19	Alam Synergy Pte Ltd	USD125mn	ASRIIJ 6.625%'22s	95.176+accrued

Source: OCBC, Bloomberg

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