

Asian Credit Daily

15 May 2024

Market Commentary:

- The SGD SORA curve traded lower yesterday, with short tenors trading 1bps lower, belly tenors trading 1bps lower and 10Y trading 1bps lower.
- Flows in SGD corporates were heavy, with flows in TMGSP 5.25% '27s, UBS 5.75%-PERP, HSBC 4.75% '34s, MAPLSP 3.95%-PERP.
- Bloomberg Asia USD Investment Grade spreads widened by 1bps to 81bps while Asia USD High Yield spreads tightened by 18bps to 532bps. (Bloomberg, OCBC)

Credit Summary:

- **StarHub Ltd ("StarHub"):** StarHub provided 1Q2024 business update. Results are broadly stable and in-line with full year guidance.
- **Frasers Property Ltd ("FPL"), Frasers Hospitality Real Estate Investment Trust ("FHREIT"):** FHRHEIT announced that it has received a notice from its sponsor FPL of FPL's intention to divest Fraser Residence River Promenade to a third party, with FHREIT deciding not to exercise the right of first refusal.
- **Industry Outlook-Singapore Property, CapitaLand Group Pte Ltd ("CAPL"):** A consortium comprising UOL Group Limited (35% stake), CapitaLand Development (35%), Singapore Land Group Limited (20%) and Kheng Leong Company (10%) placed the top bid of SGD805.39mn (SGD1,285 psf ppr) for a Holland Drive site under the Government Land Sales. The site could yield 680 private homes.
- **City Developments Ltd ("CDL"):** CDL acquired Hilton Paris Opéra hotel for EUR240mn (~SGD350.2mn).

Key Market Movements

	15-May	1W chg (bps)	1M chg (bps)		15-May	1W chg	1M chg
iTraxx Asiax IG	97	-6	-15	Brent Crude Spot (\$/bbl)	82.9	-0.9%	-8.0%
				Gold Spot (\$/oz)	2,357	2.1%	-1.1%
iTraxx Japan	50	-2	1	CRB Commodity Index	287	-0.8%	-3.6%
iTraxx Australia	64	-2	-3	S&P Commodity Index - GSCI	576	-0.4%	-3.6%
CDX NA IG	50	0	-7	VIX	13.4	1.4%	-30.2%
CDX NA HY	107	0	1	US10Y Yield	4.44%	-5bp	-16bp
iTraxx Eur Main	53	0	-7				
iTraxx Eur XO	301	1	-35	AUD/USD	0.663	0.8%	2.9%
iTraxx Eur Snr Fin	60	0	-7	EUR/USD	1.082	0.7%	1.9%
iTraxx Eur Sub Fin	109	0	-15	USD/SGD	1.351	0.3%	0.9%
				AUD/SGD	0.896	-0.5%	-2.0%
USD Swap Spread 10Y	-37	1	2	ASX200	7,766	-0.5%	0.2%
USD Swap Spread 30Y	-75	1	2	DJIA	39,558	1.7%	4.8%
				SPX	5,247	1.1%	3.7%
China 5Y CDS	62	-3	-11	MSCI Asiax	688	1.9%	6.4%
Malaysia 5Y CDS	45	-1	-2	HSI	19,074	3.2%	14.9%
Indonesia 5Y CDS	71	-2	-8	STI	3,297	1.0%	3.6%
Thailand 5Y CDS	43	0	-3	KLCI	1,607	0.1%	4.2%
Australia 5Y CDS	13	0	-1	JCI	7,084	-0.7%	-2.8%
				EU Stoxx 50	5,080	1.3%	1.9%

Source: Bloomberg

Credit Headlines:**StarHub Ltd (“StarHub”)**

- StarHub provided 1Q2024 business update. **Results are broadly stable and in-line with full year guidance.**
- **Gains in Enterprise offset declines in other segments:** Service revenue grew 1.9% y/y to SGD458.9mn, mainly due to growth from the Enterprise business segment. By segment, enterprise was the only gainer, while the other segments saw declines:
 - Mobile: Service revenue fell 4.6% y/y to SGD145.2mn, mainly due to the decline in postpaid ARPU to SGD31/mth (1Q2023: SGD32/mth) due to lower voice and data subscription revenues with lower IDD and lower excess data usage, offset by higher roaming. Prepaid revenues also fell, with prepaid subscribers declining 6k y/y to 586k while expired credits declined.
 - Broadband: Service revenue fell 0.9% y/y to SGD61.4mn. The small decline was mainly due to lower revenue from premiums related to tactical promotions. Meanwhile, ARPU remained stable y/y at SGD32/mth while subscribers inched up 2k y/y to 580k.
 - Entertainment: Service revenue fell 4.2% y/y to SGD54.7mn, with subscriber base declining 39k y/y to 329k due to cessation of certain promotions relating to the expiry of OTT passes. Meanwhile, ARPU increased to SGD45/mth (1Q2023: SGD43/mth).
 - Enterprise: Service revenue rose 10.4% y/y to SGD197.7mn. The increase is mostly due to cybersecurity revenue, which grew 37.1% y/y to SGD73.1mn due to higher project recognition. Network solutions revenue grew 5.1% y/y to SGD97.6mn due to growth in managed services (+29.7% y/y to SGD29.7mn) due to higher contribution from data centre related services which offset declines in Data & Internet and Voice services. Meanwhile, Regional ICT services revenue fell 19.9% y/y to SGD35.5mn partly due to lower hardware sales.
- **Stable reported EBITDA:** Reported Service EBITDA grew 0.7% y/y to SGD101.3mn mainly due to growth in service revenue, partially offset by higher opex and lower other income.
- **Guidance unchanged:** StarHub has not updated its 2024 guidance, with service revenue targeted to grow at least 1% to 3%, service EBITDA margin at around 22% while capex commitment including investments is at 11% to 13%. 1Q2024’s performance is in-line with guidance with revenue up 1.9% y/y and serviced EBITDA margin at 22.1%.
- **Credit metrics likely improved:** StarHub recorded +SGD86.6mn free cash flow (1Q2023: -SGD19.0mn) while reported net debt to TTM EBITDA improved q/q to 1.06x (31 December 2023: 1.36x).

Frasers Property Ltd (“FPL”)**Frasers Hospitality Real Estate Investment Trust (“FHREIT”)**

- FHREIT announced that it has received a notice from its sponsor FPL of FPL’s intention to divest Fraser Residence River Promenade to a third party. This property is part of Riviere, a condominium development at Jiak Kim Street in River Valley, consisting of a four-storey serviced apartment block with 72 keys operating under the “Fraser Residence” brand. The property also comprises three conservation warehouses zoned for commercial use.
- FHREIT has considered the opportunity and decided not to exercise the right of first refusal (“ROFR”) as the property does not meet FHREIT’s investment strategy.
- FPL is selling the property to Tuan Sing Holdings for SGD140.9mn. The service apartments will continue to be managed by FPL under the “Fraser Residence” brand.
- Earlier in March 2024, FHREIT had also decided not to exercise the ROFR on Capri by Fraser, Changi City which FPL is selling. The expected sale completion of Capri by Fraser, Changi City is by the end of the financial year ending 30 September 2024 (“FY2024”). (Company, Straits Times, OCBC)

Industry Outlook – Singapore Property**CapitaLand Group Pte Ltd (“CAPL”)**

- **Highest bid from UOL and CAPL:** A consortium comprising UOL Group Limited (35% stake), CapitaLand Development (35%), Singapore Land Group Limited (20%) and Kheng Leong Company (10%) placed the top bid of SGD805.39mn (SGD1,285 psf ppr) for a Holland Drive site under the Government Land Sales. The site could yield 680 private homes.
- **Few competition:** Other bidders were from Intrepid Investments (Hong Leong Holdings) and Hong Realty who bid SGD765.26mn (SGD1,221.06 psf ppr) and Japura Development (CK Asset Holdings) who bid SGD632.0mn (SGD1,008.43 psf ppr).
- **Bid below expectations:** According to analysts surveyed by The Business Times, the bid is below expectations. We note that an adjacent commercial and residential site was sold for a higher amount, at SGD1,888 psf ppr in 2018. We think it is not surprising that developers are no longer aggressively bidding for land given that supply of land has increased. (URA, Business Times, Company)

City Developments Ltd (“CDL”)

- **EUR240mn acquisition of a trophy hotel in Paris:** CDL acquired Hilton Paris Opéra hotel for EUR240mn (~SGD350.2mn). The asset is a 18,339 sqm 268-room trophy hotel, which was refurbished for EUR43.4mn in 2015. The hotel achieved BREEAM In-Use Very Good certification for sustainable building performance.
- **Positioning ahead of Paris Olympics:** This positions CDL ahead of the Paris 2024 Olympics commencing in July 2024. Paris has recorded the highest RevPAR among key European cities. Together with two other properties 163-room M Social Hotel Paris Opéra and 239-room Millennium Hotel Paris Charles de Gaulle, CDL has 670 rooms in total in Paris. (Company, OCBC)

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
14 May	Bocom Leasing Management Hong Kong Company Limited (Keepwell provider: Bank of Communications Financial Leasing Co., Ltd)	FRN	USD	100	3Y	SOFR+75bps	N.A
14 May	Asian Development Bank	Fixed	USD	3,500	2Y	SOFR MS+18bps	SOFR MS+20bps
14 May	Japan International Cooperation Agency (Guarantor: Japan)	Fixed, Sustainability	USD	1,000	5Y	SOFR+53bps	SOFR MS+57bps
14 May	Housing & Development Board	Fixed	SGD	900	7Y	3.46%	N.A

Mandates:

- China Huaneng Group plans to raise around USD500mn via a dollar-denominated perpetual.

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