

May 4, 2018

Credit Headlines: Lippo Malls Indonesia Retail Trust, BreadTalk Group Ltd, StarHub Ltd

Market Commentary

- The SGD swap curve traded lower yesterday with the belly of the curve down by 1-3bps and the longer tenors down by 3-5bps.
- Flows in SGD corporates were light yesterday with mixed interest in CENCHI 6.25% '20s
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 1.32% while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 10bps to 395bps.
- 10Y UST yields fell 2bps to 2.95% as an afternoon recovery in risk sentiment on 'fairly positive' US-China trade talks was not enough to compensate for morning gains from a selloff in equities.

Credit Headlines

Lippo Malls Indonesia Retail Trust ("LMRT") | Issuer Profile: Neutral (5) – under review

- LMRT reported 1Q2018 results for the quarter ending 31 March 2018. While in IDR terms revenue grew 10.3% y/y to IDR504.0bn, due to 9.1% weaker IDR against the SGD y/y, revenue grew by only 1.1% y/y. Net property income fell 4.6% y/y to SGD43.9mn due to the effects of a weaker IDR, new 10% tax introduced on service charges and utilities recovery charges in Jan 2018 and an increase in total operating property expenses.
- Aggregate leverage increased to 35.0% q/q (4Q2017: 33.7%), mainly due to a weaker IDR with assets mainly in IDR and borrowings mainly in SGD. Meanwhile, occupancy remains high at 94.0% (2017: 93.7%), compared to the industry average of 84.8%. Rental reversions were also healthy at 5.3%.
- However, we find that pressures are developing on the credit profiles of the sponsor, Lippo Karawaci, and its anchor tenant (Matahari Putra Prima Tbk PT). As such, we are reviewing LMRT for a potential downgrade of its Issuer Profile, pending an analyst briefing later today. (OCBC, Company)

BreadTalk Group Ltd ("BGL") | Issuer Profile: Neutral (5)

- BGL reported 1Q2018 results for the quarter ending 31 March 2018. While revenue was flattish (+0.5% y/y to SGD148.5mn), the results showed a disparity for Bakery (-4.5% y/y to SGD70.4mn), Food Atrium (+3.3% y/y to SGD37.5mn) and Restaurant (+6.2% y/y to SGD36.9mn). EBITDA for the 3 core segments (-2.2% y/y to SGD17.8mn) showed a further divergence between Bakery (-31.0% y/y to SGD3.8mn), Food Atrium (-3.7% y/y to SGD5.3mn) and Restaurant (+24.4% y/y to SGD8.7mn).
- Bakery's decline is largely attributable to lower revenue (which we think also depresses margins) from direct operated stores at Shanghai, Beijing and Hong Kong and lower franchise revenue from China (24 fewer outlets y/y to 254 outlets). Food Atrium saw strong same store sales growth, though revenue posted only a small increase with 4 fewer outlets than a year ago (which likely also impacted EBITDA margins). Restaurant division outperformed with 3 more outlets added (1 in Singapore and 2 in Thailand).
- Reported net debt to equity and net debt/EBITDA improved to 0.27x (2017: 0.31x) and 0.28x (2017: 0.49x). However, with [BGL repositioning for growth](#), we expect net debt/EBITDA to increase to ~3.0x (with net gearing likely to rise closer to 1.0x). As such, we continue to hold BGL at a Neutral (5) Issuer Profile. (Company, OCBC)

Credit Headlines (cont'd):

Starhub Ltd ("STH") | Issuer Profile: Neutral (3)

- STH reported 1Q2018 results. Performance continued to trend lower, with revenue declining 4.7% y/y to SGD561.0mn and group EBITDA declining 4.8% y/y to SGD152.2mn.
- Sales of equipment (-16.3% y/y to SGD110.2mn), Pay TV (-10.0% y/y to SGD80.7mn) and Mobile services (-7.1% y/y to SGD205.1mn) were all a drag on performance, though these were offset by higher revenue at Enterprise Fixed services (+18.0% y/y to SGD117.5mn) driven by prior acquisitions. Broadband services contribution was flattish at SGD47.5mn.
- Though operating expenses declined 3.3% y/y to SGD479.5mn (largely driven by lower cost of equipment, which fell 15.6% y/y to SGD103mn), it was not sufficient to mitigate the declines in revenue, with operating profit falling 12.0% y/y to SGD81.9mn. In aggregate, net profit fell 13.1% y/y to SGD62.8mn.
- Looking forward, STH continues to see pressure for its core Mobile segment, with the total customer base decreasing 8,000 and ARPU decreasing SGD2 per user to SGD43 per month. PayTV performance similarly reflects the competitive pressure from other viewing options with revenue down 10%, the customer base falling 38,000 and ARPU decreasing SGD1 per user to SGD51 per month.
- With results on trend, management have broadly kept their FY2018 guidance expectations although our review of the results will likely focus on impact to the company's leverage from declining operating cash flow and higher capex commitments. (Company, OCBC)

Table 1: Key Financial Indicators

	04-May	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	77	3	-1
iTraxx SovX APAC	12	0	-1
iTraxx Japan	51	0	-5
iTraxx Australia	66	2	-5
CDX NA IG	63	2	-1
CDX NA HY	107	0	0
iTraxx Eur Main	57	2	-4
iTraxx Eur XO	275	4	-15
iTraxx Eur Snr Fin	61	4	-5
iTraxx Sovx WE	17	0	-1
AUD/USD	0.753	-0.67%	-2.41%
EUR/USD	1.197	-1.35%	-2.54%
USD/SGD	1.332	-0.62%	-1.48%
China 5Y CDS	60	2	-3
Malaysia 5Y CDS	78	5	5
Indonesia 5Y CDS	114	9	13
Thailand 5Y CDS	45	1	-2

	04-May	1W chg	1M chg
Brent Crude Spot (\$/bbl)	73.55	-1.46%	8.13%
Gold Spot (\$/oz)	1,311.92	-0.91%	-1.60%
CRB	202.10	0.44%	5.07%
GSCI	474.28	0.24%	6.41%
VIX	15.9	-2.09%	-20.74%
CT10 (bp)	2.944%	-1.27	14.14
USD Swap Spread 10Y (bp)	3	0	0
USD Swap Spread 30Y (bp)	-11	0	4
TED Spread (bp)	54	-2	-5
US Libor-OIS Spread (bp)	52	-1	-7
Euro Libor-OIS Spread (bp)	3	0	0
DJIA	23,930	-1.61%	-1.38%
SPX	2,630	-1.40%	-0.57%
MSCI Asiax	710	-0.28%	0.67%
HSI	30,040	0.11%	1.77%
STI	3,548	-0.63%	6.23%
KLCI	1,845	-0.40%	1.59%
JCI	5,803	-1.79%	-5.75%

Source: OCBC, Bloomberg

New issues

- Yuzhou Properties Co Ltd has priced a USD200mn 3NC2 bond (guaranteed by all of the issuers non-PRC restricted subsidiaries) at 7.9%, tightening from initial guidance of 7.95%.
- China Huadian Corp. has hired banks for a potential USD bond issue.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
3-May-18	Yuzhou Properties Co Ltd	USD200mn	3NC2	7.90%
2-May-18	China Aoyuan Property Group Ltd	USD200mn	3NC2	7.50%
2-May-18	PT Federal International Finance	USD300mn	3-year	CT3+160bps
30-May-18	Global Prime Capital Pte Ltd	USD50mn	BSDEIJ 7.25% '21	100.125+accrued
27-Apr-18	Central American Bank for Economic Integration	CNH2bn	5-year	4.85%
27-Apr-18	Hong Seng Ltd	USD250mn	363-day	8.75%
27-Apr-18	Ease Trade Global Ltd	USD150mn	POLHON 5.2%'21	99.996
25-Apr-18	CNOOC Finance 2015 USA LLC	USD1bn	10-year	CT10+140bps
25-Apr-18	CNOOC Finance 2015 USA LLC	USD450mn	5-year	CT5+105bps
25-Apr-18	GSH Corp Ltd	SGD50mn	3-year	5.15%
24-Apr-18	CAR Inc	CNH350mn	CARINC 6.5%'21	6.784%
24-Apr-18	Central China Real Estate Ltd	SGD150mn	2-year	6.25%

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