

Feb 12, 2019

Credit Headlines: Fraser and Neave Ltd, Oxley Holdings Ltd, Mapletree Industrial Trust

Market Commentary

- The SGD swap curve steepened yesterday, with the shorter tenors trading 1bps higher while the longer tenors traded 2bps higher (with the exception of the 12-year and 15-year swap rates trading only 1bps higher).
- The Bloomberg Barclays Asia USD IG Bond Index average OAS remained unchanged at 150bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 96bps to 524bps.
- Flows in the SGD corporates were moderate yesterday, with flows seen in UBS 5.875%-PERPs, DBSSP 3.98%-PERPs and CMZB 4.2%'28s.
- 10Y UST yields rose 2bps to close the trading session at 2.65%, on the back of an anticipated release of data on Wednesday showing inflationary pressures in January as well as the continuation of trade talks between the US and China.

Credit Headlines

Fraser and Neave Ltd (“FNN”) | Issuer Profile: Neutral (4)

- FNN reported 1QFY2019 results for the year ended September 2019. While revenue looks stable increasing by 0.4% q/q to SGD464.4mn, the segment trends were somewhat different. Beverages revenue rose 7.6% y/y to SGD112.6mn due to earlier sell-in for 2019 Chinese New Year, printing and publishing declined 8.4% y/y to SGD70.7mn due to lower print and distribution volume while Dairies remained largely unchanged at SGD281mn.
- EBIT rose 42% y/y to SGD71mn mainly due to higher contribution from Dairies (+43.4% y/y to SGD72.0mn) due to higher contribution from Vinamilk (+41% y/y to SGD23mn), which FNN owns a ~20.01%-stake and lower input costs which drove EBIT at Malaysia (+74% y/y to SGD15mn) and Thailand (+31% y/y to SGD32mn) higher. However, Beverages saw EBIT dip back into a small negative (1QFY2018: +SGD1.6mn) due to higher packaging cost and manufacturing overheads at Malaysia. Meanwhile, Publishing & Printing posted a smaller EBIT print of SGD0.4mn (1QFY2018: SGD1.7mn) due to absence of SGD1.1mn one-off gain from sale of machinery.
- We continue to see challenges in the Beverages segment, noting the implementation of 40 sen per litre of excise duty on ready-to-drink beverages that contain sugar exceeding 5g per 100ml starting 1 Apr 2019.
- Net gearing inched down slightly to 10.4% (FY2018: 10.8%) with a larger equity base (+1.9% q/q to SGD3.23bn) from profits (SGD55.9mn) and currency translation gains (+SGD5.5mn). Cash balance of SGD326.5mn well-covers short term debt which fell to SGD169.4mn (FY2018: SGD374.1mn) following the repayment of debt. We maintain FNN at an issuer profile of Neutral (4). (Company, OCBC)

Credit Headlines (cont'd)

Oxley Holdings Ltd (“OHL”) | Issuer Profile: Neutral (5)

- OHL reported 2QFY2019 results for the financial year ended June 2019. Revenue fell 12% y/y to SGD355.5mn due to lower revenue contribution from the Royal Wharf mixed use development, which is unsurprising as it is substantially sold. Gross profit fell by a larger 33% y/y to SGD46.4mn due to lower margins on the sales. Net profit similarly fell 30% y/y to SGD48.1mn, with surge in finance costs (+70% y/y to SGD26.9mn) due to increased borrowings mitigated by declines in administrative expenses (-53% y/y to SGD7.2mn) and other losses (-90% y/y to SGD1.7mn) due to the absence of foreign exchange loss.
- Net gearing rose q/q to 2.55x (1QFY2019: 2.45x) due to (1) cash outflow from operating activities of SGD65.6mn from increases in working capital, (2) SGD27.4mn interest paid and (3) decrease in book value equity due to FX movements (SGD26.6mn) and loss on investments in securities (SGD18.7mn) which are booked in other comprehensive income.
- While SGD1.1bn of financial liabilities coming due within the next 12 months (which includes SGD300mn OHLSP '19s due in November) exceeds SGD248.5mn of cash, we are not overly concerned given that OHL is selling (1) [its hotels at Stevens Road for SGD950mn](#), (2) [No.4 and No.5 Dublin Landings for SGD315.6mn](#) and (3) [Blocks B and E at Dublin Landings for SGD271mn](#). Sales of these, when completed, should bring net gearing down to ~1.5x. [Noting OHL's intent to reduce net gearing to 1x](#), we would be reviewing OHL's credit profile pending further updates. (Company, OCBC)

Mapletree Industrial Trust (“MINT”) | Issuer Profile: Neutral (3)

- MINT raised SGD201mn in a private placement at an issue price of SGD1.945 per new unit (103.36mn new units). This represents a discount of ~4.15% to the adjusted volume weighted average price of SGD2.0293 per unit for all trades done on SGX-ST for the full market day on 11 Feb 2019.
- 98.4% of gross proceeds (~SGD197.8mn) will be used to partly refinance the [acquisition of 18 Tai Seng](#) while the balance ~SGD3.2mn will be used to pay the fees and expenses incurred in connection with the private placement.
- Assuming the deposited property value for 18 Tai Seng is the agreed property value of SGD268.3mn and the remaining transaction cost of acquiring the property of SGD73.2mn is financed by debt, pro forma aggregate leverage is estimated to fall to 34.3% from 34.7% as at 31 Dec 2018. Raising equity to partially finance the acquisition has reduced the potential pressure on MINT's credit profile if 100% debt was used. We have MINT at Neutral (3) Issuer Profile. (Company, OCBC)

Table 1: Key Financial Indicators

	12-Feb	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	80	3	-10
iTraxx SovX APAC	60	2	-7
iTraxx Japan	64	4	-13
iTraxx Australia	75	1	-15
CDX NA IG	68	3	-11
CDX NA HY	106	-1	2
iTraxx Eur Main	73	4	-9
iTraxx Eur XO	315	11	-27
iTraxx Eur Snr Fin	92	6	-13
iTraxx Sovx WE	25	0	-2
AUD/USD	0.708	-2.09%	-1.58%
EUR/USD	1.128	-1.07%	-1.61%
USD/SGD	1.359	-0.52%	-0.39%
China 5Y CDS	57	4	-8
Malaysia 5Y CDS	81	2	-16
Indonesia 5Y CDS	116	6	-14
Thailand 5Y CDS	44	4	-1

	12-Feb	1W chg	1M chg
Brent Crude Spot (\$/bbl)	62.09	0.18%	2.66%
Gold Spot (\$/oz)	1,308.82	-0.49%	1.32%
CRB	177.11	-1.94%	-0.54%
GSCI	406.27	-0.96%	0.83%
VIX	15.97	1.53%	-12.20%
CT10 (bp)	2.675%	-2.31	-2.55
USD Swap Spread 10Y (bp)	3	0	0
USD Swap Spread 30Y (bp)	-18	1	2
US Libor-OIS Spread (bp)	29	-4	-8
Euro Libor-OIS Spread (bp)	5	0	0
DJIA	25,053	-0.74%	4.41%
SPX	2,710	-0.55%	4.37%
MSCI Asiax	640	-0.29%	4.58%
HSI	28,151	0.75%	5.57%
STI	3,208	0.60%	0.29%
KLCI	1,685	0.11%	0.13%
JCI	6,482	0.01%	1.89%

New issues

- China Aoyuan Group Ltd has priced a USD225mn 4NC3 bond (subsidiary guarantors: certain non-PRC subsidiaries) at 7.95%, tightening from IPT of 8.375% area.
- Zhenro Properties Group Ltd has priced a USD230mn 2.5-year bond (subsidiary guarantors: certain non-PRC restricted subsidiaries) at 10.75%, tightening from IPT of 11.25% area.
- RHB Bank Berhad has mandated banks for its potential USD bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
11-Feb-19	China Aoyuan Group Ltd	USD225mn	4NC3	7.95%
11-Feb-19	Zhenro Properties Group Ltd	USD230mn	2.5-year	10.75%
31-Jan-19	Towngas (Finance) Ltd (The Hong Kong and China Gas Company Ltd)	USD300mn	NC5-perpetual	4.75%
31-Jan-19	Mongolian Mortgage Corp (MIK Holding JSC)	USD50mn	MGMTGE 9.75%'22s	9.75%
31-Jan-19	Chengdu Economic & Technological Development Zone State-Owned Assets Investment & Operating Co Ltd	USD250mn	3-year	7.5%
31-Jan-19	AC Energy Finance International Ltd	USD110mn USD75mn	10-year ACNRGY 4.75%'24s	5.3% 4.88%
30-Jan-19	CMT MTN Pte Ltd	SGD100mn	7-year	3.15%
29-Jan-19	LLPL Capital Pte Ltd (PT Lestari Banten Energi)	USD775mn	20-year	6.875%
29-Jan-19	Siam Commercial Bank PCL, Cayman Islands Branch	USD500mn USD500mn	5-year 10-year	CT5+137.5bps CT10+167.5bps
29-Jan-19	Studio City Finance Ltd	USD600mn	5NC2	7.25%
29-Jan-19	Granda Century Ltd	USD235mn	SNAGRP 7.5%'21s	8.375%
29-Jan-19	Oil India Ltd	USD550mn	10-year	CT10+250bps
29-Jan-19	Champion Sincerity Holdings Ltd (Greentown China Holdings Ltd)	USD100mn	NC3-perpetual	7.75%
29-Jan-19	Suntec REIT MTN Pte Ltd	SGD100mn	6-year	3.355%
28-Jan-19	Baoxin Auto Finance I Ltd (China Grand Automotive Services Co Ltd)	USD300mn	363-day	8.75%

Source: OCBC, Bloomberg

Andrew Wong

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 4736
wongVKAM@ocbc.com

Ezien Hoo, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@ocbc.com

Wong Hong Wei, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
WongHongWei@ocbc.com

Seow Zhi Qi

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 7348
zhiqiseow@ocbc.com

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