

Mar 13, 2019

Credit Headlines: Wheelock & Co Ltd

Market Commentary

- The SGD swap curve steepened yesterday, with the shorter tenors trading 1bps higher (with the exception of the 1-year swap rate trading 1bps lower), while the belly and longer tenors traded 2-3bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 139bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 489bps.
- Flows in SGD corporates were heavy, with flows seen in DBSSP 3.98%-PERPs, MAPLSP 3.58% '29s, ESRCAV 6.75%'22s and SINTEC 5.0%-PERPs.
- 10Y UST yields fell 4bps to 2.60%, on the back of weak inflation data which further supports expectations that the Federal Reserve will hold interest rates steady. Safe haven demand arising from the uncertainty regarding Britain's exit from the European Union also contributed to the fall in yields.

Credit Headlines

Wheelock & Co Ltd ("WHEELK") | Issuer Profile: Positive (2)

- WHEELK reported its full year 2018 results. Group revenue fell by 31.7% y/y to HKD48.5bn from HKD71.0bn in 2017. Should the new accounting standards – HKFRS15, which redefined the timing of sales recognition from occupation permit to legal assignment not be adopted over the year, additional HKD8.7bn sales would have been recognised and group revenue would have fallen by a smaller extent of 19.4% y/y.
- WHEELK's weak revenue stemmed largely from fewer sizeable Development Properties ("DP") project completions in both Mainland China and Hong Kong. Specifically, DP saw revenue plunge 51.3% y/y while operating profit fell by just 9.8% y/y, on the back of general improved profit margins of DP sold in Hong Kong (Operating Profit/Revenue - 2018: 28.3%, 2017: 6.0%).
- Investment Properties ("IP") saw revenue gain of 10.9% y/y and operating profit was up by 9.7% y/y in 2018. IP in Hong Kong was driven by Harbour City (revenue grew 10% y/y) while that in Mainland China happened on the back of maturing Chengdu International Finance Square ("IFS") and the new Changsha IFS (opened on 7 May 2018) which together brought about revenue growth of 30% y/y.
- Consequentially, operating profit was up 4.5% y/y to HKD24.9bn despite lower revenue.
- While WHEELK's own core profit more than doubled to HKD2.4bn (+114.2% y/y), we note that it only accounts for 18.0% of total core profit (2017: 9.2%) and performance is largely driven by Wharf Holdings (33.4% of total core profit) and Wharf REIC (47% of total core profit) whose core profit dipped by 11.5% y/y and increased by 6.4% y/y respectively. As a result, reported group core profit increased by 9.0% y/y to HKD13.2bn.
- As at 31 Dec 2018, the net debt to total equity increased to 23.9% (2017: 14.9%), though WHEELK's own net gearing remained somewhat stable at 13% (2017: 12%). The increase in debt is mainly at Wharf Holdings which is non-recourse to WHEELK. As such, we do not foresee the higher net gearing to be a concern for WHEELK. (Company, OCBC)

Table 1: Key Financial Indicators

	13-Mar	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	67	0	-8
iTraxx SovX APAC	50	0	-7
iTraxx Japan	57	0	-4
iTraxx Australia	69	1	-5
CDX NA IG	60	-3	-5
CDX NA HY	106	1	0
iTraxx Eur Main	61	0	-9
iTraxx Eur XO	278	-1	-29
iTraxx Eur Snr Fin	73	-2	-16
iTraxx Sovx WE	20	-1	-4
AUD/USD	0.705	0.30%	-0.52%
EUR/USD	1.129	-0.17%	0.24%
USD/SGD	1.357	0.03%	0.19%
China 5Y CDS	47	0	-7
Malaysia 5Y CDS	61	0	-14
Indonesia 5Y CDS	97	0	-13
Thailand 5Y CDS	44	0	-2

	13-Mar	1W chg	1M chg
Brent Crude Spot (\$/bbl)	66.73	1.12%	4.90%
Gold Spot (\$/oz)	1,305.24	1.47%	-0.08%
CRB	181.31	-0.32%	1.45%
GSCI	426.05	0.79%	2.74%
VIX	13.77	-6.58%	-12.01%
CT10 (bp)	2.609%	-8.47	-9.34
USD Swap Spread 10Y (bp)	2	0	-1
USD Swap Spread 30Y (bp)	-20	0	-2
US Libor-OIS Spread (bp)	20	2	-8
Euro Libor-OIS Spread (bp)	5	0	0
DJIA	25,555	-0.98%	0.04%
SPX	2,792	0.07%	1.40%
MSCI Asiax	656	-0.57%	1.43%
HSI	28,728	-1.07%	0.81%
STI	3,189	-1.05%	-1.72%
KLCI	1,675	-0.69%	-0.60%
JCI	6,344	-1.51%	-1.17%

New issues

- Guorui Properties Ltd has priced a USD295mn re-tap of its existing GUOPRO 13.5%'22s (guarantor: certain of issuer's restricted subsidiaries outside the PRC) at 97 (yield 15.3%).
- ANZ New Zealand (Int'l) Ltd, London Branch, has priced a USD750mn 5-year bond (guarantor: ANZ Bank New Zealand Ltd) at CT5+100bps, tightening from IPT of +110bps area.
- Canara Bank has mandated banks for its potential USD bond issuance.
- Qatar Islamic Bank has scheduled investor meetings from 14 March for its potential USD bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
12-Mar-19	Guorui Properties Ltd	USD295mn	GUOPRO 13.5'22s	97
12-Mar-19	ANZ New Zealand (Int'l) Ltd	USD750mn	5-year	CT5+100bps
11-Mar-19	Chongqing Energy Investment Group Co Ltd	USD500mn	3-year	5.78%
11-Mar-19	AMTD Group Co Ltd	USD57.92mn	AMTDGC 5.0%'22s	5.0%
8-Mar-19	Nuoxi Capital Ltd	USD200mn	HKJHCC 7.5%'22s	7.5%
7-Mar-19	AMP Group Finance Services Ltd	USD300mn	2.5-year	CT3+160bps
7-Mar-19	XINHU (BVI) 2018 Holding Co Ltd	USD275mn	3NPNC2	11.0%
7-Mar-19	Hong Kong Mortgage Corp Ltd	USD125mn	5-year	3M-LIBOR +16bps
6-Mar-19	Santos Finance Ltd	USD600mn	10-year	CT10+265bps
6-Mar-19	CES Treasury Pte Ltd	SGD100mn	3-year	6.0%
5-Mar-19	Greenland Global Investment Ltd	USD350mn	3-year	7.25%
5-Mar-19	Export-Import Bank of India	USD500mn	5-year	CT5+140bps
5-Mar-19	Renew Power Ltd	USD375mn	5NC2	6.67%
5-Mar-19	Competition Team Technologies Ltd	USD700mn USD300mn	5-year 10-year	CT5+125bps CT10+155bps
5-Mar-19	PT Delta Merlin Dunia Textile	USD300mn	5NC3	8.625%

Source: OCBC, Bloomberg

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