

Jan 23, 2019

Credit Headlines: CapitaLand Mall Trust, Mapletree Industrial Trust, Suntec Real Estate Investment Trust

Market Commentary

- The SGD swap curve flattened yesterday, with the shorter tenors trading flat to within 1bps higher, while the longer tenors traded 0-2bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS remained unchanged at 157bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3bps to 575bps respectively.
- Flows in SGD corporates were heavy yesterday, with flows seen in SINTEC 5.0%-PERPs, UBS 5.875%-PERPs, BNP 4.35%'29s, LLCAU 3.9%'27s and DBSSP 3.98%-PERPs.
- 10Y UST yields fell 4bps to close the trading session at 2.74% on the back of concerns over slowing global growth and signs of trade tensions between the US and China.

Credit Headlines

CapitaLand Mall Trust ("CMT") | Issuer Profile: Positive (2)

- CMT reported 4Q2018 and FY2018 results. Gross revenue for the quarter grew 4.7% y/y to SGD180.4mn while NPI increased 4.3% y/y to SGD124.4mn. The increase is largely due to the acquisition of the balance 70%-stake in Westgate, higher other income and higher gross rental income from IMM (occupancy rate - 4Q2018: 99.7%, 4Q2017: 99.5%) and Bedok Mall (occupancy rate - 4Q2018: 100%, 4Q2017: 99.2%). These performance improvements were partially offset by Sembawang Shopping Centre which was divested on 18 June 2018 and lower occupancy for JCube, Lot One Shoppers' Mall (occupancy rate fell by 0.2% to 99.8%) and Clarke Quay (occupancy rate fell by 0.5% to 98.3%).
- Portfolio occupancy was 99.2% with rental reversion at +0.7%. The lease expiry for 2019 stands at 29.4% of NLA with the bulk at Bugis Junction. In FY2018, Shopper traffic was down 0.9% y/y while tenants' sales rose 0.5% y/y with sporting goods (mostly at outlets stores) recording the largest gain of 11.5% y/y.
- Aggregate leverage crept higher to 34.2% from 31.7% in 3Q2018 following the Westgate acquisition. Reported interest coverage fell marginally to 5.2x (3Q2018: 5.3x) while reported net debt/EBTIDA rose more significantly to 6.8x from 5.7x as at 30 September 2018 due to debt drawn down for works at Funan though contributions from the development have yet to start rolling in. CMT has SGD562.2mn worth of debt coming due in October 2019. SGD157.6mn of which is a JPY10.0bn 1.309% bond. CMT has SGD348.5mn cash and cash equivalents and only Westgate is encumbered (89.8% of assets are unencumbered), we see refinancing risk as low.
- Looking forward, Funan will be opening in 2Q2019. CMT looks to continue to enhance its existing assets - possibilities include LotOne and JCube. (Company, OCBC)

Credit Headlines (cont'd)

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

- MINT reported its 3QFY2019 results for financial year ending 31 March 2019. Gross revenue increased 2.3% y/y to SGD93.6mn. This was largely due to contribution from Phase One of the build-to-suit ("BTS") project for HP Singapore, Mapletree Sunview 1 and 30A Kallang Place, though partially offset by lower occupancies in the Flatted Factories (occupancy rate - 3QFY2019: 86.4%, 3QFY2018: 88.7%) and Stack-up/Ramp-up Buildings (occupancy rate - 3QFY2019: 88.9%, 3QFY2018: 92.7%) segments. Likewise, NPI grew by 1.4% y/y to SGD71.9mn.
- Portfolio occupancy improved to 88.2% from 86.7% in the previous quarter. Improvement was due to the Singapore portfolio where all property segments recorded higher occupancies, except for the Stackup/Ramp-up Buildings, Flatted Factories and Light Industrial Buildings segments. US portfolio occupancy rate remained unchanged at 97.4% with a WALE of 5.3 years by gross rental income. While there is only 2.3% of expiring leases by gross rental income, we note that Flatted Factories continue to make up the bulk of these leases in FY2019 as well as the following three years.
- MINT has SGD125mn debt maturing in FY2019 along with a well-distributed maturing debt profile with a maximum of ~20% of total debt maturing each year. We see refinancing risk as manageable. Aggregate leverage improved to 34.7% from 35.1% in 2QFY2019 with interest coverage at 6.5x (2QFY2019: 6.4x). Should MINT fund the upgrading cost of ~SGD27mn at 7 Tai Seng Drive by external debt, we estimate that aggregate leverage will inch higher to ~35.4%. We will continue to maintain MINT at Neutral (3). (Company, OCBC).

Suntec Real Estate Investment Trust ("SUN") | Issuer Profile: Neutral (4)

- SUN reported its fourth quarter results. Gross revenue increase 7.0% y/y to SGD93.4mn, mainly due to higher revenue from Suntec Singapore (+14.8% y/y, where retail: +4.4% y/y and convention: +17.8% y/y from hosting high-profile events such as the 33rd Asean Summit meetings), 177 Pacific Highway (+22.5% y/y) and Suntec City (+1.9% y/y).
- NPI increased by a smaller extent of 2.3% y/y to SGD60.7mn due to the SGD4.8mn sinking fund contribution for Suntec City Office upgrading works for 4Q2018. Excluding the sinking fund contribution, NPI would have increased 10.4% y/y instead.
- Contributions from joint ventures (ORQ, MBFC Properties and Southgate Complex) increased 6.6% y/y, mainly due to the additional 25%-interest in Southgate Complex, which more than offset by weakness seen at ORQ (-14.9% y/y) due to a 3.9% dip in occupancy to 96.1% from full occupancy a year ago.
- Office portfolio committed occupancy remains somewhat resilient though marginally lower at 98.7% (3Q2018: 98.9%, 2Q2018: 99.0%, 1Q2018: 99.1%). Balance of office leases expiring in FY2019 looks manageable at 8.2% of total office NLA.
- On the retail front, committed occupancy improved to 99.1% (3Q2018: 98.1%, 2Q2018: 98.2%, 1Q2018: 98.4%). We note that the tenant retention ratio for the retail portfolio was 55% in FY2018, and 24.7% of NLA will be expiring in FY2019. While no breakdown of expiring leases by malls was provided, Suntec City Mall accounts for 94% of the contribution to the retail portfolio. Given that Suntec City Mall's footfall has increased 4.8/y and tenants sales per sq ft has grown 5.2% y/y, we think the repositioning of the mall has yielded positive results and expiring leases may possibly be less daunting than it appears.
- Aggregate leverage is high at 38.1% (3Q2018: 38.2%) while interest coverage was 3.3x (3Q2018: 3.4x). While SUN has SGD430mn debt maturing in 2019 versus the cash and cash equivalents of SGD137mn as at 30 December 2018, we note that SUN has secured a SGD500mn 55 year loan facility on 12 October 2018.
- Looking forward, 9 Penang Road, Singapore, scheduled to complete end-2019 is 60% completed while 477 Collins Street, Australia due for completion in mid-2020 is 52% completed as of 30 December 2018. (Company, OCBC).

Table 1: Key Financial Indicators

	23-Jan	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	88	1	-11
iTraxx SovX APAC	65	1	-7
iTraxx Japan	71	-4	-13
iTraxx Australia	85	-1	-12
CDX NA IG	76	0	-19
CDX NA HY	104	0	3
iTraxx Eur Main	78	0	-13
iTraxx Eur XO	330	3	-33
iTraxx Eur Snr Fin	96	-1	-18
iTraxx Sovx WE	25	-1	-1
AUD/USD	0.713	-0.49%	1.19%
EUR/USD	1.137	-0.22%	-0.34%
USD/SGD	1.359	-0.30%	1.04%
China 5Y CDS	62	2	-8
Malaysia 5Y CDS	91	0	-21
Indonesia 5Y CDS	125	2	-17
Thailand 5Y CDS	44	0	-2

	23-Jan	1W chg	1M chg
Brent Crude Spot (\$/bbl)	61.48	0.26%	14.23%
Gold Spot (\$/oz)	1,284.50	-0.71%	1.20%
CRB	178.99	0.67%	3.98%
GSCI	406.60	0.54%	6.91%
VIX	20.8	9.07%	-30.92%
CT10 (bp)	2.748%	2.63	-4.21
USD Swap Spread 10Y (bp)	3	0	1
USD Swap Spread 30Y (bp)	-18	2	-4
TED Spread (bp)	38	1	-7
US Libor-OIS Spread (bp)	36	-1	-5
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	24,404	2.07%	8.73%
SPX	2,633	1.95%	8.95%
MSCI Asiax	618	0.14%	4.31%
HSI	27,053	0.56%	5.05%
STI	3,188	-1.28%	4.65%
KLCI	1,688	0.53%	1.08%
JCI	6,463	0.77%	4.86%

New issues

- AC Energy Finance International Ltd has priced a USD225mn 5-year bond (guarantor: AC Energy Inc) at 4.875%, tightening from IPT of 5.125% area.
- Central China Real Estate Ltd has priced a USD200mn 363-day bond (subsidiary guarantors: certain of company's restricted subsidiaries outside the PRC) at 7.325%, tightening from IPT of 7.625% area.
- Johnson Electric Holdings Ltd has priced a USD300mn 5.5-year bond at CT+165bps, tightening from IPT of CT+195bps area.
- Mongolian Mortgage Corporation HFC LLC has priced a USD250mn 3-year bond (guarantor: MIK Holding JSC) at 9.75%, tightening from IPT of low 10.0% area.
- Suhyup Bank (National Federation of Fisheries Cooperatives) has priced a USD300mn 5-year bond at CT+110bps, tightening from IPT of CT+140bps area.
- China Evergrande Group has priced a USD1.1bn re-tap of its EVERRE 7.0%'20s, USD875mn re-tap of its EVERRE 6.25%'21s and USD1.025bn re-tap of its EVERRE 8.25%'22s at 8.25%, 9.5% and 10.5% respectively.
- Export-Import Bank of China has priced a USD100mn re-tap of its EXIMCH Float'21s at 3-month US LIBOR +60bps.
- Centurion Corporation Ltd has priced a SGD56mn 3-year step-up fixed bond at 5.5%.
- Studio City Finance has scheduled for investor meetings from 23 Jan for its potential USD bond issuance.
- Oil India Ltd has scheduled investor meetings from 24 Jan for its potential USD 10-year bond issuance.

New issues (cont'd)

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
22-Jan-19	AC Energy Finance International Ltd (AC Energy Inc)	USD225mn	5-year	4.875%
22-Jan-19	Central China Real Estate Ltd	USD200mn	363-day	7.325%
22-Jan-19	Johnson Electric Holdings Ltd	USD300mn	5.5-year	CT+165bps
22-Jan-19	Mongolian Mortgage Corporation HFC LLC (MIK Holding JSC)	USD250mn	3-year	9.75%
22-Jan-19	Suhyup Bank	USD300mn	5-year	CT+110bps
22-Jan-19	China Evergrande Group	USD1.1bn USD875mn USD1.025bn	EVERRE 7.0%'20s EVERRE 6.25%'21s EVERRE 8.25%'22s	8.25% 9.5% 10.5%
22-Jan-19	Export-Import Bank of China	USD100mn	EXIMCH Float'21s	3M US LIBOR +60bps
22-Jan-19	Centurion Corporation Ltd	SGD56mn	3-year	5.5%
21-Jan-19	Export-Import Bank of Korea	USD150mn	3-year	3M US LIBOR +44 bps
21-Jan-19	Land Transport Authority of Singapore	SGD1.5bn	40-year	3.38%
18-Jan-19	Easy Tactic Ltd	USD300mn	3.5NC2	9.25%
17-Jan-19	Mercatus Co-operative Ltd	SGD100mn	6-year	3.28%
17-Jan-19	Bharat Petroleum Corporation Ltd	USD500mn	3-year	CT+187.5bps
17-Jan-19	BOC Aviation Ltd	USD500mn	5-year	CT+155bps

Source: OCBC, Bloomberg

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