

Jan 28, 2019

Credit Headlines: Oxley Holdings Ltd, Perennial Real Estate Holdings Ltd, Mapletree North Asia Commercial Trust, OUE Limited, Keppel Corp Ltd

Market Commentary

- The SGD swap curve flattened last Friday, with swap rates trading within 1bps lower across most tenors (with the exception of the 6-month and 12-year swap rates trading 4bps and 3bps lower respectively).
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 152bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 19bps to 534bps.
- Flows in SGD corporates were heavy yesterday, with flows seen in ESRCA 6.75%'22s, UBS 5.875%-PERPs, SINTEC 5.0%-PERPs, BNP 4.35%'29s, DBSSP 3.98%-PERPs, LLCAU 3.9%'27s and CNQCHK 4.9%'20s.
- 10Y UST yields rose 4bps to close the trading session at 2.76% on the back of upbeat corporate earnings as well as reports from the Federal Reserve regarding a possibility of maintaining a larger portfolio of treasury securities than expected.

Credit Headlines

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

- OHL has entered into an agreement to sell for EUR175.5mn (~SGD271mn) in part Blocks B and E of Dublin Landings (“The Property”) in Ireland. The Property includes 268 residential units and 210 car parking spaces. The sale is targeted to be exchanged on 27 Feb 2019. The buyer is Greystar Europe Holdings Ltd.
- Together with the earlier announcements in which (1) [an agreement was entered to sell No.4 and No.5 Dublin Landings for EUR204mn \(~SGSD315.6mn\)](#) and (2) [proposed sale of Stevens Road hotel for SGD950mn](#), net gearing may decline to ~1.3x following the completion of these transactions. As mentioned in our [Credit Update: Oxley Holdings Ltd \(24 Jan 2019\)](#), these transactions will be a significant credit positive and in-line with the guidance with OHL to reduce net gearing to 1x. (Company, OCBC)

Perennial Real Estate Holdings Ltd (“PREH”) | Issuer Profile: Neutral (5)

- PREH has agreed to sell its entire 20% equity stake in Aidigong for RMB200.7mn (~SGD39.82mn). The buyer is Guangdong Common Splendour Health Industry Group Ltd, which is an existing shareholder of Aidigong.
- We understand that PREH is selling due to uncertainty of key management remaining going forward as the previously largest shareholder with 44.3% stake, Ms Zhu Yufei, has intended to sell her entire stake.
- We estimate ~SGD8mn gains from the sale and PREH guided that the proceeds from the disposal will be recycled for other accretive investments. This is largely neutral to PREH’s credit profile as the transaction size is small relative to its total assets of SGD7.6bn. (Company, OCBC)

Credit Headlines (cont'd)

Mapletree North Asia Commercial Trust (“MNACT”) | Issuer Profile: Neutral (4)

- MNACT reported its third quarter results for the financial year started 1st April 2018 (“3Q2019”). Gross revenue increased 19.4% y/y to SGD105.6mn, while net property income (“NPI”) went up by 18.5% y/y to SGD84.6mn. Much like 2Q2019, this was mainly due to higher rent from Festival Walk, Gateway Plaza and Sandhill Plaza, and contribution from Japan properties following the completion of acquisition on 25 May 2018.
- Portfolio performance is stable with high portfolio occupancy rate of 99.7% and rental reversion is positive across all assets. While 4.2% of leases by gross rental income expire in the rest of FY2019, approximately 3.2% has already been renewed or re-let. Portfolio WALE is 2.9 years.
- Festival Walk, which accounts for 62% of total portfolio revenue, saw a 5.2% y/y increase in retail sales and 0.3% y/y increase in footfall YTD. Separately, we note that AEI is happening at Gateway Plaza and the project is expected to be completed by 2020.
- Aggregate leverage was unchanged at 39.0% (2Q2019: 39.0%, 1Q2019: 38.8%, 4Q2018: 36.2%) while interest coverage ratio improved slightly to 4.2x from 4.1x in the preceding quarter. MNACT has no debt coming due for the remainder of FY2019 and just 7% and 11% of total debt maturing in FY2020 and FY2021 respectively. We see no near term refinancing risk. Having said that, 89% of total assets are unencumbered (vs 100% as at 31 March 2018) as the JPY onshore borrowings are secured against the Japan properties. The average term to maturity is 3.71 years. (Company, OCBC)

OUE Limited (“OUE”) | Issuer Profile: Neutral (4)

- OUE announced that it has commenced marketing for the proposed sale of US Bank Tower located in Los Angeles, USA (“US Bank Tower”). The US Bank tower is a 75-storey commercial tower sited on freehold land. As at end-December 2017, the property has an open market value of ~SGD816.1m. The US Bank Tower is OUE’s only significant investment property asset in the US.
- While there could be some property debt attached to the building, we expect a substantial cash infusion into OUE assuming the sale goes through successfully and reiterate our overweight call on the short end of the OUE curve.
- Over the medium term though, there is less clarity if OUE would intensify its expansion into Indonesia and thereby decrease its traditional focus on Singapore and Japan. (Company, OCBC)

Keppel Corp Ltd (“KEP”) | Issuer Profile: Neutral (4)

- KEP announced that its’ indirect wholly-owned subsidiary Portsville Pte Ltd, will be divesting a 70%-stake in Dong Nai Waterfront City LLC (“Dong Nai”) to Nam Long Investment Corporation for VND2,313 billion (~SGD136mn), subject to post-closing adjustments. Dong Nai holds the rights to develop a 170 ha plot of land into a township in Dong Nai Province Vietnam.
- The proposed sale is conditional on the issuance of various certificates by Vietnamese authorities. Following completion, KEP will indirectly hold 30%-stake in Dong Nai. We are reviewing KEP’s issuer profile in conjunction with the release of its 4Q2018 financial results. (Company, OCBC)

Table 1: Key Financial Indicators

	<u>28-Jan</u>	<u>1W chg (bps)</u>	<u>1M chg (bps)</u>
iTraxx Asiax IG	83	-2	-14
iTraxx SovX APAC	61	-2	-9
iTraxx Japan	66	-4	-20
iTraxx Australia	82	-2	-14
CDX NA IG	72	0	-16
CDX NA HY	105	0	3
iTraxx Eur Main	74	-1	-15
iTraxx Eur XO	321	2	-41
iTraxx Eur Snr Fin	89	-2	-23
iTraxx Sovx WE	24	-1	-1
AUD/USD	0.720	0.52%	2.11%
EUR/USD	1.142	0.44%	-0.25%
USD/SGD	1.352	0.55%	1.07%
China 5Y CDS	58	-1	-9
Malaysia 5Y CDS	85	-4	-25
Indonesia 5Y CDS	117	-6	-22
Thailand 5Y CDS	43	0	-4

	<u>28-Jan</u>	<u>1W chg</u>	<u>1M chg</u>
Brent Crude Spot (\$/bbl)	61.56	-1.88%	17.93%
Gold Spot (\$/oz)	1,301.73	1.66%	1.64%
CRB	180.68	0.51%	5.68%
GSCI	409.69	0.90%	9.26%
VIX	17.42	-3.54%	-38.53%
CT10 (bp)	2.751%	-3.29	3.31
USD Swap Spread 10Y (bp)	3	-1	1
USD Swap Spread 30Y (bp)	-17	1	1
TED Spread (bp)	41	3	-3
US Libor-OIS Spread (bp)	34	-2	-5
Euro Libor-OIS Spread (bp)	5	0	1
DJIA	24,737	1.51%	7.26%
SPX	2,665	1.09%	7.20%
MSCI Asiax	631	1.28%	6.25%
HSI	27,742	2.01%	8.78%
STI	3,212	-0.27%	5.18%
KLCI	1,700	0.44%	0.45%
JCI	6,489	0.59%	4.75%

New issues

- Champion Sincerity Holdings Ltd has priced a USD400mn NC3-perpetual bond (guarantor: Greentown China Holdings Ltd) at 8.125%, tightening from IPT of 8.625%.
- Chongqin Banan Economic Park Development & Construction Co has priced a SGD150mn 34-month bond at 4.35%, in line with IPT.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
25-Jan-19	Champion Sincerity Holdings Ltd (Greentown China Holdings Ltd)	USD400mn	NC3-perpetual	8.125%
25-Jan-19	Chongqin Banan Economic Park Development & Construction Co	SGD150mn	34-month	4.35%
24-Jan-19	Sino-Ocean Land Treasure IV Ltd (Sino-Ocean Group Holding Ltd)	USD500mn	3.25-year	CT+287.5bps
24-Jan-19	Celestial Miles Ltd (NWS Holdings Ltd)	USD800mn	NC5-perpetual	5.75%
24-Jan-19	ESR Cayman Ltd	SGD150mn	3-year	6.75%
23-Jan-19	Export-Import Bank of China	USD130mn	2-year	3M US LIBOR +55bps
23-Jan-19	Nuoxi Capital Ltd (Peking University Founder Group Company Ltd)	USD150mn	3-year	7.5%
23-Jan-19	Yankuang Group (Cayman) Ltd (Yankuang Group Co)	USD215mn	3-year	6.0%
23-Jan-19	KEB Hana Bank	USD300mn USD300mn	3-year 5-year	CT+87.5bps CT+102.5bps
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

Source: OCBC, Bloomberg

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