

Credit Update: Wing Tai Holdings Ltd (“WTH”)

Recommendation

- Together with a stronger property market in 1H2018, one-off disposals at its associate WTP have lifted 4QFY2018 results. That said, it remains to be seen if sales momentum can sustain at The Garden Residences (JV with Keppel Land) which launched in Jun 2018.
- Credit metrics remain intact with ample liquidity and no short term debt maturity. However, we think net gearing (4QFY2018: net cash position) may rise as WTH continues to look for investment opportunities in Singapore and abroad.
- We hold WTH at a Neutral (4) Issuer Profile, taking into account its healthy credit profile and a likely decline in profitability with a slowdown in residential sales. We prefer to hold the seniors of WTP (WINGTA 4.25% ‘22s) instead of WTH (WINGTA 4.5% ‘22s, WINGTA 4.25% ‘23s) with [WTP \(Issuer Profile: Neutral \(4\)\)](#) sitting closer to the cashflow generative assets. However, between WTH's and WTP's perps, we continue to prefer the former given its shorter reset date.

Relative Value:

Bond	Maturity date/ Reset Date	Net gearing	Ask Yield	Spread
WINGTA 4.5% ‘22s (WTH)	26/09/2022	Net cash	3.54%	140bps
WINGTA 4.25% ‘23s (WTH)	15/03/2023	Net cash	3.69%	153bps
WINGTA 4.08% PERP (WTH)	28/06/2022	Net cash	4.83%	272bps
WINGTA 4.25% ‘22s (WTP)	29/11/2022	0.05x	3.55%	141bps
WINGTA 4.35% PERP (WTP)	24/08/2027	0.05x	4.80%	238bps

Indicative prices as at 7 Sep 2018 Source: Bloomberg, OCBC, Company
Net gearing based on latest available quarter

Issuer Profile: Neutral (4)

Ticker: **WINGTA**

Background

Listed on the SGX since 1989, Wing Tai Holdings (“WTH”) is an investment holding company with core businesses in property investment and development, lifestyle retail and hospitality management in key Asian markets such as Singapore, Malaysia, Hong Kong and China. WTH's commercial properties include Winsland House in Singapore and Landmark East and W Square in Hong Kong. WTH owns a 34.4%-stake in Wing Tai Properties Ltd (“WTP”). The group's Chairman Mr. Cheng Wai Keung owns a 51.1% stake in WTH.

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Key Considerations

- **Increased property sales and better performance by WTP:** WTH reported 4QFY2018 results for the quarter ending 30 June 2018. Revenue increased 80.4% y/y to SGD105.8mn mainly due to better performance from the development properties segment. 2 units at 100%-owned Le Nouvel Ardmore were sold for SGD32.8mn. In addition, 62 units out of 613 units at The Garden Residences (JV with Keppel Land) were sold for SGD70.2mn in June following its launch. Net profit surged 937% y/y to SGD133.2mn with share of profits from associated and JVs climbing 258% y/y to SGD115.3mn though this is one-off as [WTP had recognised profits from the sale of Winner Godown Building \(industrial building\) and W Square \(Grade A office building\)](#). WTH has also recognised a fair value gain of SGD12.6mn from investment properties (4QFY2017: loss of SGD4.0mn).
- **Slowdown in sales following property cooling measures?:** Only 6 units worth SGD10.2mn at The Garden Residences were sold in Jul and Aug 2018, though this is partly attributed to the Hungry Ghost Festival (11 Aug to 9 Sep) which may cause potential buyers to stay away. Meanwhile, we are less concerned about 40%-owned The Crest, which has sold 25 units worth SGD56.4mn, as we believe prices can be shaded down, if need be, to move units.
- **Credit metrics remains healthy, for now:** WTH remains in net cash position though this would increase to ~4% (from ~3%) by adjusting the SGD150mn perp (ranked senior unsecured) as debt. Despite generating SGD39.1mn net cash from operating activities, which is largely due to monetisation of SGD40.8mn in development properties, net cash fell to SGD12.1mn (3QFY2018: SGD51.3mn) due to SGD66.9mn cash used to acquire investment properties, which is likely related to the [acquisition of 464 St Kilda Road](#) which was targeted to complete in end-May. Net gearing may rise as we note that WTH continues to look for investment opportunities in Singapore and overseas. Meanwhile, liquidity is ample with SGD792.2mn of cash, no short term debt maturing while most assets should remain unencumbered with only SGD84.2mn in secured debt.

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Explanation of Issuer Profile Rating (“IPR”) / Issuer Profile Score (“IPS”)

Positive (“Pos”) – The issuer’s credit profile is either strong on an absolute basis, or expected to improve to a strong position over the next six months.

Neutral (“N”) – The issuer’s credit profile is fair on an absolute basis, or expected to improve / deteriorate to a fair level over the next six months.

Negative (“Neg”) – The issuer’s credit profile is either weaker or highly geared on an absolute basis, or expected to deteriorate to a weak or highly geared position over the next six months.

To better differentiate relative credit quality of the issuers under our coverage, we have further sub-divided our Issuer Profile Ratings (“IPR”) into a 7 point Issuer Profile Score (“IPS”) scale.

IPR	Positive		Neutral			Negative	
IPS	1	2	3	4	5	6	7

Explanation of Bond Recommendation

Overweight (“OW”) – The performance of the issuer’s specific bond is expected to outperform the issuer’s other bonds, or the bonds of other issuers either operating in the same sector or in a different sector but with similar tenor over the next six months.

Neutral (“N”) – The performance of the issuer’s specific bond is expected to perform in line with the issuer’s other bonds, or the bonds of other issuers either operating in the same sector or in a different sector but with similar tenor over the next six months.

Underweight (“UW”) – The performance of the issuer’s specific bond is expected to underperform the issuer’s other bonds, or the bonds of other issuers either operating in the same sector or in a different sector but with similar tenor over the next six months.

Other

Suspension – We may suspend our issuer rating and bond level recommendation on specific issuers from time to time when OCBC is engaged in other business activities with the issuer. Examples of such activities include acting as a joint lead manager or book runner in a new issue or as an agent in a consent solicitation exercise. We will resume our coverage once these activities are completed.

Withdrawal (“WD”) – We may withdraw our issuer rating and bond level recommendation on specific issuers from time to time when corporate actions are announced but the outcome of these actions are highly uncertain. We will resume our coverage once there is sufficient clarity in our view on the impact of the proposed action.

Analyst Declaration

The analyst(s) who wrote this report and/or her or his respective connected persons did not hold securities in the above-mentioned issuer or company as at the time of the publication of this report.

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