

## Earnings Review: Wing Tai Holdings Ltd (“WTH”)

### Recommendation

- Without the one-off disposals, core performance is poorer with an operating loss of SGD1.1mn. Sales at The Garden Residences also appear lackluster. However, net profit remains positive with share of profits of associated and joint venture companies increasing 14% y/y to SGD9.3mn, likely due in part to WTP.
- WTH’s credit profile remains anchored by its strong credit metrics, with a net cash position, ample liquidity and positive operating cashflow. Net gearing may rise though as WTH is still looking for investment opportunities.
- We hold WTH at a Neutral (4) Issuer Profile, taking into account its healthy credit profile with weak operating results. We are Overweight the WINGTA curve though we prefer to hold the seniors of WTP (WINGTA 4.25% ‘22s) instead of WTH’s 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 and wider yield spread.

### Relative Value:

Bond	Maturity date/ Reset Date	Net gearing	Ask Yield	Spread
WINGTA 4.5% ‘22s (WTH)	26/09/2022	Net cash	3.68%	144bps
WINGTA 4.25% ‘23s (WTH)	15/03/2023	Net cash	3.87%	161bps
WINGTA 4.7% ‘24s (WTH)	28/02/2024	Net cash	4.04%	171bps
WINGTA 4.08% PERP (WTH)	28/06/2022	Net cash	5.26%	304bps
WINGTA 4.25% ‘22s (WTP)	29/11/2022	0.05x	3.78%	153bps
WINGTA 4.35% PERP (WTP)	24/08/2027	0.05x	4.92%	238bps

Indicative prices as at 29 Oct 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

- Poorer core performance:** WTH reported 1QFY2019 results for the quarter ending 30 Sep 2018. Revenue increased 8% y/y to SGD77.9mn due to sale of vacant land at Langgak Golf in Kuala Lumpur. However, gross profit fell 7% y/y to SGD31.8mn, likely due to lower margins from its development projects. Coupled with other gains falling 90% y/y to SGD2.4mn due to the absence of one-off gain of SGD16.7mn from [the disposal of a property development project located at Shanghai](#), WTH incurred an operating loss of SGD1.1mn. However, net profit remained positive (-86% y/y to SGD2.2mn) with share of profits of associated and joint venture companies increasing 14% y/y to SGD9.3mn, likely due to better performance from WTP and Uniqlo.
- Lacklustre sales at new launch:** Sales at The Garden Residences (40%-owned JV with Keppel) were just 10 units (SGD9.5mn) in Jul-Sep 2018, noticeably slower compared to 61 units (SGD69.2mn) in June 2018 before the latest round of property cooling measures in July. In total, according to the URA caveats, The Garden Residences sold only 75 out of 613 units. Meanwhile, the 469 units The Crest (40%-owned) sold 35 units for SGD78.2mn in Jul-Sep 2018. According to WTH, The Crest was over 70% sold as of 30 June 2018. Going forward, WINGTA plans to market Phase 2 (estimated: 112 units) of Malaren Gardens in Shanghai in late 2018.
- Credit metrics remain healthy, for now:** WTH remains in net cash position. After adjusting the perpetuals (ranked senior unsecured) as debt, net gearing remains healthy at just 2% (4QFY2018: 4%). Meanwhile, operating cashflow remains positive at SGD72.1mn, buoyed by monetisation of development properties (SGD34.8mn). That said, we think net gearing may not stay low as WTH continues to guide a lookout for investment opportunities in Singapore and overseas. Meanwhile, liquidity is ample with SGD855.9mn cash and no short term debt. Overall, despite the weak results, credit metrics continue to look healthy – which should help cushion the slowdown in sales of development properties.

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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.

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**Analyst Declaration**

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