

Issuer Profile: CapitaLand Ltd (“CAPL”)

Neutral (3)

Ticker:

CAPLSP

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New Issue

- Yesterday, **CAPL priced a SGD800mn 10Y issue at 3.15%**, tightening from initial price guidance of 3.3% with orderbooks in excess of SGD1.4bn. Proceeds from issuance will likely be used to refinance part of the SGD1.8bn debt due in 2019 (as of Jun 2019).

Recommendation

- We think the new issue looks fair compared to the rest of the CAPLSP curve. That said, [we reiterate that the CAPLSP curve looks tight](#), especially post-acquisition of Ascendas-Singbridge Pte Ltd which push its net gearing higher.
- Amongst the higher grade Singapore developer space, we think the CITSP curve offers better value given somewhat wider spreads.
- While we acknowledge the lack of supply of high grade senior papers trading above 3%, for investors seeking higher yield, we prefer LLCAU 3.9% 2027s, noting the [decent results announced recently](#).
- Investors seeking to stick to the CapitaLand family may consider CAPITA 3.35% 2031 which is offering a higher yield or CAPITA 2.88% 2027. We think the CAPITA curve offers better value as [we rate it one notch higher at Positive \(2\)](#) Issuer Profile and we note that CapitaLand Mall Trust is outright rated by external rating agencies.

Relative Value:

Bond	Maturity / Call date	Net gearing	Ask YTW	Spread
CAPLSP 3.15% 2029	29/08/2029	73.2%	3.15%	143bps
CAPLSP 4.3% 2020	31/08/2020	73.2%	2.29%	64bps
CAPLSP 4.076% 2022 (USD)	20/09/2022	73.2%	2.70% (SGD)	111bps
CAPLSP 3.8% 2024	28/08/2024	73.2%	2.75%	115bps
CAPLSP 3.08% 2027	19/10/2027	73.2%	2.98%	131bps
CITSP 3.00% 2020	27/10/2020	44.5%	2.52%	86bps
CITSP 3.78% 2024	21/10/2024	44.5%	2.90%	130bps
CITSP 3.48% 2026	15/06/2026	44.5%	2.95%	131bps
CAPITA 3.35% 2031	07/07/2031	43.3%	3.23%	143bps
CAPITA 2.88% 2027	10/11/2027	43.3%	2.92%	124bps
LLCAU 3.9% 2027	27/04/2027	22.5%	3.49%	182bps

*Indicative prices as at 23 August 2019 Source: Bloomberg
Aggregate leverage based on latest available quarter*

Background

- CapitaLand Ltd (“CAPL”) is Singapore’s leading real estate company, with development and investments in retail, office, serviced residences and residential properties.
- Following the acquisition of Ascendas-Singbridge Pte Ltd (“ASB”), CAPL will structure its business segments along (1) CL China, (2) CL SMI (Singapore, Malaysia, Indonesia), Vietnam & International, (3) CL India, (4) CL Lodging, (5) CL Financial (which includes stakes in REIT managers) and (6) Centres of Excellence.
- Listed on the SGX with a market cap of SGD17.5bn, CAPL holds SGD66.5bn in total assets. CAPL is 51.0%-owned by Temasek.

Recent Reports on CapitaLand Ltd from OCBC Credit Research

- [CAPL Earnings Review 2Q2019 \(7 Aug 2019\)](#)
- [Singapore Mid-Year 2019 Credit Outlook \(05 Jul 2019\)](#)

Explanation of Issuer Profile Rating / Issuer Profile Score

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 into a 7 point Issuer Profile Score scale.

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

Please note that Bond Recommendations are dependent on a bond’s price, underlying risk free rates and an implied credit spread that reflects the strength of the issuer’s credit profile. Bond Recommendations may not be relied upon if one or more of these factors change.

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.

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Analyst Declaration

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

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