

Issuer Profile: Hotel Properties Ltd (“HPL”)

Neutral (4)

Ticker:

HPLSP

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New Issue

- HPL is looking to price a new SGD Perp-NC5 with initial price guidance (“IPG”) at 4.6% area.

Recommendation

- At the IPG, we think the new HPL perp looks somewhat attractive as we see **fair value around 4.4%-4.5%**. We derive this through comparisons with:
 - HPLSP 4.65% PERP: The closest comparable is the existing HPLSP 4.65% PERP. We think the new HPLSP perp should trade wider given a longer call, reset and step-up date.
 - FPLSP 4.98% PERP: Compared to this FPL perp, the new HPLSP perp has a poorer structure as **the step-up date of the new HPLSP perp does not coincide with the first call and reset date**. Hence, the new HPLSP perp should trade wider than the FPLSP 4.98% PERP.
 - WINGTA 4.48% PERP: In our view, the credit metrics of HPL is closer to that of Wing Tai Holdings Ltd. However, we note the **lack of delisting put for the new HPLSP perp** while major shareholders have been buying shares in HPL recently. According to Bloomberg, the free float of HPL is less than 12%.
 - ARTSP 3.88% PERP: Although the IPG of the new HPLSP perp is significantly wider than ARTSP 3.88% PERP, [we are monitoring ART’s Issuer Profile for an upgrade](#).
 - Comparing to other similar perps that were priced in the recent 6 months, we think the call risk of the new HPLSP perp could be relatively higher if it were to be priced too tight resulting in insufficient initial spread.

Relative Value:

Bond	Maturity / Call date	Issuer Profile	Ask YTW	Spread
HPLSP new perp	TBC	Neutral (4)	4.6% (IPG)	311bps
HPLSP 4.65% PERP	05/05/2022	Neutral (4)	4.29%	282bps
FPLSP 4.98% PERP	11/04/2024	Neutral (4)	4.31%	283bps
WINGTA 4.48% PERP	24/05/2024	Neutral (4)	4.31%	282bps
ARTSP 3.88% PERP	04/09/2024	Neutral (4)	3.66%	217bps
SPHR 4.1% PERP	30/08/2024	Not rated	3.80%	231bps
SPH 4.5% PERP	07/06/2024	Not rated	3.79%	231bps

Indicative prices as at 15 October 2019 Source: Bloomberg

Background

- Listed on the SGX with a market cap of SGD1.8bn, the principal activities of Hotel Properties Ltd (“HPL”) include hotel ownership, management and operation, property development and investment properties.
- As of Dec 2018, we estimate that hotels account for ~56% of HPL’s total assets, with revenues split nearly evenly between (1) Singapore, (2) Maldives and (3) other parts of the world including rest of Asia and UK/Europe. Investment properties account for ~36% of HPL’s total assets, which are mainly represented by retail malls in Singapore.
- Managing Director/co-founder Mr Ong Beng Seng has 38.28% deemed interest in HPL while Wheelock and Co Ltd has 22.52% stake in HPL.

Recent Reports on Hotel Properties Ltd from OCBC Credit Research

- [HPLSP Earnings Review 2Q2019 \(20 Aug 2019\)](#)
- [OCBC Asian Credit Daily \(16 May 2019\)](#)
- [Singapore Credit Outlook 2019 \(07 Jan 2019\)](#)

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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