

## Issuer Profile: Oxley Holdings Ltd (“OHL”)

Neutral (5)

### Ticker:

OHLSP

Wong Hong Wei, CFA

+65 6722 2533

[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

### Recommendation

- FY2019 results is weaker with revenue falling 42.3% y/y and EBITDA falling 69.9% y/y, mainly due to lower recognition of revenue from Royal Wharf as more units were handed over in the prior year.
- Thus far, property sales are strong with 55% of the Singapore landbank sold. We are optimistic that most of the remaining units can be moved.
- OHL already holds sufficient cash to repay SGD300mn OHLSP 5% '19s. While another SGD1.04bn debt is due within 12 months, we believe these can be repaid through property sales and refinancing of the hotels at Novotel.
- We continue to hold OHL at Neutral (5) Issuer Profile as we expect OHL to substantially deleverage in the coming quarters, with net gearing already fallen q/q to 2.06x (3QFY2019: 2.49x).
- We are Overweight on the OHL curve.

### Relative Value:

Bond	Maturity / Call date	Net gearing	Ask YTW	Spread
OHLSP 5% 2019	05/11/2019	2.06x	7.56%	585bps
OHLSP 5.15% 2020	18/05/2020	2.06x	5.90%	431bps
OHLSP 6.375% 2021 (USD)	21/04/2021	2.06x	9.20% (SGD)	764bps
OHLSP 5.7% 2022	31/01/2022	2.06x	8.17%	661bps

*Indicative prices as at 30 August 2019 Source: Bloomberg  
Aggregate leverage based on latest available quarter*

### Background

- Listed on the SGX in Oct 2010 with a market cap of SGD1.27bn, Oxley Holdings Ltd (“OHL”) is a developer of residential and commercial projects in Singapore and abroad, including UK, Ireland, Malaysia, China, Cambodia, Myanmar, Indonesia and Cyprus.
- OHL holds 19%-stake in United Engineers Ltd (SGX listed, market cap: SGD1.64bn), 10%-stake in Aspen Group Holdings Ltd (SGX listed, market cap: SGD120.4mn), 20%-stake in Galliard Group Ltd (unlisted UK developer) and 40%-stake in Pindan Group Pty Ltd (unlisted Western Australia property and construction company).
- OHL's key shareholders are its Chairman and CEO Mr. Ching Chiat Kwong (42.0%-stake), its Deputy CEO and Executive Director Mr. Low See Ching (28.1%-stake) and Mr. Tee Wee Sien (11.3%) who appears to be a passive shareholder.

### Key Considerations

- **Weaker results due to timing issue with lower contribution from Royal Wharf:** OHL reported FY2019 results for the quarter ending 30 Jun 2019. Revenue fell 42.3% y/y to SGD686.1mn, mainly due to lower contribution from Royal Wharf in the UK as more units have been handed over in the prior year. As a result, property development revenue fell 46.9% y/y to SGD608.6mn and overall reported EBIT fell 48.8% y/y to SGD61.6mn; we calculate that EBITDA has fallen 69.9% y/y to SGD70.2mn. That said, we think revenue should pick up given the significant presold pipeline while management guided that the remainder billings of SGD581.9mn from Royal Wharf is likely to be collected over 1QFY2020 to 3QFY2020.
- **Strong property sales achieved in Singapore thus far:** As of 26 Aug 2019, OHL reported that SGD2.66bn sales has been secured from the Singapore projects launched since 2018 (future progress billings: SGD2.15bn), which covers 55% of the gross development value of OHL's Singapore property portfolio. Given the strong sales momentum, we are not overly

worried; OHL's management is also confident that the Singapore portfolio can be mostly sold by end 2020. Meanwhile, margins (according to management) are north of 10% on average. Margins may expand as selling prices of units have been moved higher with each phase launched. Although most of the buyers thus far are local upgraders rather than foreigners, management mentioned that in recent weeks, enquiries from Hong Kong have picked up for projects in Singapore and UK. Meanwhile, OHL guided that acquisition of a new land site in Singapore in 2019 is unlikely given that land prices have not come down significantly. Outside of Singapore, another SGD1.72bn sales has been made but not recognised. This is mainly attributable to Royal Wharf (SGD581.9mn) in the UK, Dublin Landings (SGD569.2mn) in Ireland and The Peak (SGD349.7mn) in Cambodia.

- **Confident of tackling the near-term maturities:** Due to the [first phase payment received from the sale of Chevron House](#) (estimated net proceeds: SGD194.7mn), OHL holds SGD474.4mn cash as of end 30 Jun 2019. With this, OHL is confident of repayment of the SGD300mn OHLSP 5% '19s due in Nov 2019. Due to the excess cash, we are not overly worried of the weak EBITDA/Interest coverage of 0.7x (FY2018: 3.6x), also because we are expecting results to improve going forward. Aside from OHLSP 5% '19s, another SGD1.04bn debt remains due within the next 12 months, which we think can be repaid from property sales or refinanced. We expect OHL to receive significant cash proceeds from the property sales in Dublin ([including Blocks B and E](#)) worth EUR154.6mn (SGD238.1mn) which is estimated to complete by May 2020, Dublin Block A4 and A5 contracted sales proceeds (estimated: EUR159mn or SGD244.9mn), expected completion of The Peak in Cambodia in Sep 2019 (estimated proceeds: SGD349.7mn), as well as the remaining proceeds from Chevron House (estimated: SGD295mn). Separately, OHL will be refinancing the hotel debt on Novotel and Mercure (estimated: SGD529mn).
- **Improvement in credit metrics:** Net gearing fell q/q to 2.06x (3QFY2019: 2.49x) mainly due to the [sale of Chevron House](#), which deconsolidated the debt (estimated: SGD450mn) on the property. We expect net gearing to continue trending down when OHL collects the sales proceeds totaling ~SGD800mn from Dublin and Cambodia as well as ~SGD500mn proceeds from the remaining units at Royal Wharf. Assuming OHL receives SGD295mn proceeds from the handover of Chevron House (together with the sale of the banking and retail hall), we think OHL may eventually deleverage to 1x. While net debt/EBITDA has risen to 12.7x (FY2018: 3.8x), we expect improvements in FY2020 when OHL deleverage.
- **Not overly concerned over high leverage if management chooses to deleverage:** While total debt of SGD3.58bn is high, based on current sales, OHL has already accumulated future progress billings of SGD3.87bn. We expect OHL to substantially move the remainder of the Singapore landbank (gross development value: SGD2.20bn). In addition, we think the hotels (indicative valuation: SGD953mn) and commercial buildings (SGD100mn) at Stevens Road can be sold, if need be.

### 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.

## Treasury Research & Strategy

### Macro Research

**Selena Ling**

Head of Strategy & Research  
[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)

**Emmanuel Ng**

Senior FX Strategist  
[NqCYEmmanuel@ocbc.com](mailto:NqCYEmmanuel@ocbc.com)

**Tommy Xie Dongming**

Head of Greater China Research  
[XieD@ocbc.com](mailto:XieD@ocbc.com)

**Terence Wu**

FX Strategist  
[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

**Howie Lee**

Thailand, Korea & Commodities  
[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)

**Alan Lau**

Malaysia & Indonesia  
[AlanLau@ocbc.com](mailto:AlanLau@ocbc.com)

**Carie Li**

Hong Kong & Macau  
[carierli@ocbcwh.com](mailto:carierli@ocbcwh.com)

**Dick Yu**

Hong Kong & Macau  
[dicksnyu@ocbcwh.com](mailto:dicksnyu@ocbcwh.com)

### Credit Research

**Andrew Wong**

Credit Research Analyst  
[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

**Ezien Hoo**

Credit Research Analyst  
[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

**Wong Hong Wei**

Credit Research Analyst  
[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

**Seow Zhi Qi**

Credit Research Analyst  
[ZhiQiSeow@ocbc.com](mailto:ZhiQiSeow@ocbc.com)

#### Analyst Declaration

The analyst(s) who wrote this report and/or her or his respective connected persons held financial interests in the above-mentioned issuer or company as at the time of the publication of this report.

#### Disclaimer for research report

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.:193200032W