

## Issuer Profile: Wing Tai Holdings Ltd (“WTH”)

Neutral (4)

### Ticker:

WINGTA

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### Recommendation

- FY2019 results remain lackluster as the development landbank is largely dry, with revenue down 10% y/y and EBITDA down 86% y/y.
- By reported EBIT, only retail is doing well (+17% y/y), which we think is due to outperformance of UNIQLO Singapore (49%-stake) and UNIQLO Malaysia (45%-stake).
- Credit metrics has deteriorated q/q in part due to the weak results and also because net gearing has risen to 11% (3QFY2019: net cash) due to acquisition of a hotel and a land parcel. That said, despite the weak profitability and higher net gearing, we remain comfortable with cash of SGD217mn while no debt is due within the next 12 months.
- In general, we think the WINGTA seniors issued by WTH look interesting. However, we remain Underweight on WINGTA 4.08% PERP as we prefer WINGTA 4.25% '22s (issued by WTP) instead.

### Relative Value:

Bond	Maturity / YTW date	Net gearing	Ask YTW	Spread
WINGTA 4% 2021 (WTH)	07/10/2021	11.4%	2.90%	135bps
WINGTA 4.5% 2022 (WTH)	26/09/2022	11.4%	2.95%	144bps
WINGTA 4.25% 2023 (WTH)	15/03/2023	11.4%	3.06%	156bps
WINGTA 4.7% 2024 (WTH)	28/02/2024	11.4%	3.21%	172bps
WINGTA 4.48% PERP (WTH)	24/05/2024	11.4%	4.38%	289bps
WINGTA 4.08% PERP (WTH)	28/06/2022	11.4%	4.11%	259bps
WINGTA 4.25% 2022 (WTP)	29/11/2022	6.4%	3.36%	185bps
WINGTA 4.35% PERP (WTP)	24/08/2027	6.4%	4.41%	285bps

*Indicative prices as at 29 August 2019 Source: Bloomberg  
Aggregate leverage based on latest available quarter*

### Background

- Listed on the SGX since 1989, Wing Tai Holdings Ltd (“WTH”) core businesses are 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 while its ~34%-owned associate Wing Tai Properties Ltd (“WTP”) owns Landmark East in Hong Kong.
- WTH has a distribution network of 229 retail stores as of 30 Jun 2018. Brands include Uniqlo, G2000, Topshop, Topman, Dorothy Perkins.
- The group’s Chairman Mr Cheng Wai Kheung owns a ~51%-stake in WTH.

### Key Considerations

- **Lacklustre results due to lower contributions from property development...:** WTH reported 4QFY2019 results for the quarter ending 30 Jun. Revenue fell 41% y/y to SGD63.4mn, which we think is mainly due to lower contributions from development properties as the development landbank is largely dry. For the full year FY2019, revenue fell 10% y/y as a result of lower revenue from development properties (-24.1% y/y to SGD136.2mn) though better performance from investment properties (+15.1% y/y to SGD41.3mn) mitigated some of the decline. Retail declined 1.2% y/y to SGD134.5mn, which we think is due to slight underperformance of WTH’s own brands.
- **... with weaker reported EBIT from all segments except retail:** Reported EBIT for FY2019 from the core segments (development properties, investment properties, retail) fell 64.2% y/y to SGD107.3mn. In particular, investment properties reported EBIT fell 73.2% y/y to SGD53.2mn due to absence of both disposal gain from Winner Godown Building in

3QFY2018 and fair value gains totalling HKD1.54bn (SGD273.3mn) at Wing Tai Properties Ltd in 4QFY2018. Meanwhile, development properties reported EBIT declined 79.1% y/y to SGD14.1mn, largely due to fall in revenue while retail saw reported EBIT (which includes contribution from associates) increase 17.1% y/y to SGD40.2mn despite the fall in revenue – we think this is due to strong performance by Uniqlo Singapore (49%-stake) and Uniqlo Malaysia (45%-stake).

- **Weaker credit metrics though still comfortable with credit profile:** Net gearing rose q/q to 11.4% (3QFY2019: net cash), mainly due to acquisition of Red Planet Hotel Asakusa Tokyo for JPY4.25bn (~SGD52.7mn) in Jun 2019 and SGD492.0mn acquisition of land parcel at Middle Road in Apr 2019. Accounting for SGD300mn in perps (which are senior) as debt, adjusted net gearing is 21.6% (3QFY2019: 4.2%). We think net gearing may continue to rise as WTH is still looking for investment opportunities in Singapore and abroad. Due to the weaker performance, EBITDA has fallen 85.8% y/y to SGD5.6mn resulting in a weak EBITDA/Interest at 0.2x (FY2018: 1.2x). That said, we are not overly concerned as WTH still holds SGD217.3mn of cash despite no short-term debt due.

### 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.

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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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