

Issuer Profile:

Neutral (3)

Ticker:

MCTSP

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Mapletree Commercial Trust (“MCT”)

New Issue

- MCT is pricing a **new benchmark size 10Y issue at 3.2% area**. Proceeds from the issuance will likely be used to refinancing its existing borrowings and general corporate purposes.
- We note that MCT has SGD452.7mn of borrowings coming due in financial year ending 31 March 2021 (“FY2021”) which comprises a SGD292.7mn bank debt and MCTSP 3.6% ‘20s (Issue amount: SGD160mn). MCT earlier saw MCTSP 2.65% ‘19s (Issue amount: SGD50mn) mature on 7 Nov 2019.

Recommendation

- Relative to the rest of MCTSP curve, we think the new issue will most likely be priced fair, as we see **fair value at around 3.0% - 3.1% yield**.
- We expect the new MCTSP bond to trade at roughly the same level as MINTSP ‘29s. We have [MINT at Neutral \(3\) Issuer Profile](#), the same as MCT.
- MCTSP curve has historical been tighter than CAPITA curve. We rate CAPITA one notch higher at [Positive \(2\) Issuer Profile](#). We expect to MCTSP’s new 29s bond to trade at the levels of CAPITA ‘31s.
- Both CapitaLand Mall Trust, MINT and MCT are rated by external rating agencies.

Relative Value:

Bond	Outstanding Amount	Maturity	Aggregate Leverage	Ask Yield	Spread
MCTSP 3.6% ‘20	SGD160mn	24/08/2020	31.7%	1.86%	44bps
MCTSP 3.2% ‘21	SGD70mn	12/04/2021	31.7%	2.19%	80bps
MCTSP 3.25% ‘23	SGD100mn	03/02/2023	31.7%	2.42%	100bps
MCTSP 2.795% ‘23	SGD85mn	15/11/2023	31.7%	2.49%	104bps
MCTSP 3.28% ‘24	SGD120mn	23/09/2024	31.7%	2.61%	111bps
MCTSP 3.11% ‘26	SGD175mn	24/08/2026	31.7%	2.80%	121bps
MCTSP 3.045% ‘27	SGD100mn	27/08/2027	31.7%	2.93%	131bps
CAPITA 2.88% ‘27	SGD100mn	10/11/2027	34.4%	2.73%	110bps
CAPITA 3.35% ‘31	SGD150mn	07/07/2031	34.4%	2.99%	124bps
MINTSP 3.79% ‘26	SGD60mn	02/03/2026	29.2%	2.77%	121bps
MINTSP 3.58% ‘29	SGD125mn	26/03/2029	29.2%	3.03%	135bps

Indicative prices as at 13 Nov 2019 Source: Bloomberg

Aggregate leverage based on latest available quarter

*42.6% is derived from Total Debt over Total Assets

Background

- Listed on the Singapore Exchange on 27 April 2011, MCT invests in office and retail assets.
- Key assets are VivoCity, Mapletree Business City 1, Bank of America Merrill Lynch Harbourfront, PSA Building and Mapletree Anson.
- MCT had on 1 Nov 2019 completed the acquisition of Mapletree Business City 2. Post-acquisition, portfolio value is ~SGD8.9bn based on valuation of existing portfolio as at 31 Aug 2019, and the agreed property value of the property of SGD1,550mn.
- MCT is 32.2% owned by Temasek Holdings Ltd though Mapletree Investments Pte Ltd.

Recent Reports on MCT from OCBC Credit Research

- [MCT Earnings Review 1QFY2020 \(30 July 2019\)](#)

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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