OCBC Bank

**Issuer Profile:**
Positive (2) / Neutral (3)

**Ticker:**
CAPITA / CCTSP

Seow Zhi Qi, CFA
+65 6530 7348
ZhiQiSeow@ocbc.com

# CapitaLand Mall Trust ("CMT") / CapitaLand Commercial Trust ("CCT")

## Summary


- The combination of CMT and CCT to form "CapitaLand Integrated Commercial Trust" ("CICT") supports OCBC Credit Research's view that the S-REIT sector is maturing and advancing. In our Singapore Outlook 2020, we wrote "Diversified REITs – Structural or a Fad?" where we pencilled "trend of S-REITs becoming more diversified would continue into 2020, with REITs less differentiated by property type but by scale".
- CICT, which will hold retail and office properties and integrated developments, will be the third largest REIT in Asia Pacific and the largest REIT in Singapore with a combined market capitalisation of SGD16.8bn. CMT and CCT are both strong REITs within their respective property sub-sectors.
- The greatest added value of the merger in our view is the firepower CICT will have in terms of debt headroom and property development headroom, and the wider opportunities that CICT will be "eligible for". Essentially, the investable universe has expanded.
- In addition, we think CICT would be able to command a lower cost of capital over the long term as the leading REIT within the S-REIT market with a portfolio of best-in-class assets.
- However, these advantages come at the cost of a higher estimated aggregate leverage and a lower estimated EBITDA/Interest. We rate CMT at a Positive (2) Issuer Profile and CCT at a Neutral (3) Issuer Profile. Based on the information available at this point, the **indicative Issuer Profile of CICT is closer to Neutral (3) than Positive (2)**, though we see room for CICT to improve its credit metrics once the dust have settled.


## Recommendation

- We recommend the following switches:
  (1) To CCTSP 2.77% '22 from both CAPITA'24s for a shorter tenor of between 19 to 25 months
  (2) To CCTSP 3.17% '24 from CAPITA 3.2% '25 for a shorter tenor of 17 months
  (3) To CCTSP 3.327% '25 from CAPITA '26s for a shorter tenor of 1 year and a spread pick up of ~10bps
- We think CCTSP 2.96% '21 looks interesting as it is offering a 2.24% yield to maturity, 88bps spread over swap for a 1.5year tenor. This bond offers better value when compared to CCTSP 2.98% '21 (which is trading at 60bps over swap), CAPITA 3.08% '21 (which is trading at 59bps over swap) and CAPITA 3.2115% '23(which is trading at 90bps over swap for a much longer tenor).

| Bond | Maturity | Outstanding Amount | Aggregate Leverage | Ask Yield | Spread |
|---|---|---|---|---|---|
| CAPITA 3.15% '20 | 18/12/2020 | SGD100mn | 32.9% | 1.84% | 42bps |
| CAPITA 3.08% '21 | 20/02/2021 | SGD350mn | 32.9% | 2.00% | 59bps |
| CAPITA 2.8% '23 | 13/03/2023 | SGD100mn | 32.9% | 2.22% | 91bps |
| CAPITA 3.2115% '23 | 09/11/2023 | SGD130mn | 32.9% | 2.21% | 90bps |
| CAPITA 3.75% '24 | 02/02/2024 | SGD150mn | 32.9% | 2.30% | 99bps |
| CAPITA 3.48% '24 | 06/08/2024 | SGD300mn | 32.9% | 2.32% | 100bps |
| CAPITA 3.2% '25 | 21/08/2025 | SGD150mn | 32.9% | 2.41% | 107bps |
| CAPITA 3.15% '26 | 11/02/2026 | SGD100mn | 32.9% | 2.50% | 115bps |
| CAPITA 3.5% '26 | 25/02/2026 | SGD100mn | 32.9% | 2.50% | 114bps |
| CAPITA 2.88% '27 | 10/11/2027 | SGD100mn | 32.9% | 2.60% | 119bps |
| CAPITA 3.35% '31 | 07/07/2031 | SGD150mn | 32.9% | 2.96% | 142bps |
| CCTSP 2.98% '21 | 14/02/2021 | SGD50mn | 35.1% | 2.02% | 60bps |
| CCTSP 2.96% '21 | 13/08/2021 | SGD100mn | 35.1% | 2.24% | 88bps |
| CCTSP 2.77% '22 | 04/07/2022 | SGD75mn | 35.1% | 2.34% | 102bps |
| CCTSP 3.17% '24 | 05/03/2024 | SGD300mn | 35.1% | 2.41% | 110bps |

| | | | | | |
|---|---|---|---|---|---|
| CCTSP 3.327% '25 | 21/03/2025 | SGD200mn | 35.1% | 2.57% | 125bps |
| CRCTSP 3.25% '22 | 04/07/2022 | SGD130mn | 37.2% | 2.49% | 117bps |
| RCSTRU 2.6% '23 | 05/06/2023 | SGD300mn | - | 2.33% | 102bps |
| RCSTRU 3.05% '24 | 04/09/2024 | SGD150mn | - | 2.41% | 109bps |
| RCSTRU 3.2% '25 | 14/03/2025 | SGD275mn | - | 2.46% | 113bps |
| RCSTRU 3.2% '25 | 14/03/2025 | SGD275mn | - | 2.46% | 113bps |

*Indicative prices as at 30 Jan 2020 Source: Bloomberg*
*Aggregate leverage based on latest available quarter*

**Background**

On 22 January 2020, CapitaLand Mall Trust ("CMT") and CapitaLand Commercial Trust ("CCT") jointly announced the proposed merger of the REITs to create a diversified commercial REIT to be named "CapitaLand Integrated Commercial Trust" ("CICT").

The proposed merger will be effected by way of a trust scheme of arrangement, with CMT acquiring all units of CCT for a total consideration comprising 88% in new units of CMT and 12% in cash. The consideration per CCT unit comprises 0.720 new CMT units and SGD0.259 in cash.

CMT became listed on the SGX in 2002 and has a market capitalisation of SGD9.5bn as at 23 January 2020. It is the largest retail REIT by market capitalisation in Singapore and holds a portfolio of 15 malls in Singapore (portfolio valuation: SGD11.8bn). CMT also owns an 11.00% interest in CapitaLand Retail China Trust ("CRCT"), the first China shopping mall REIT listed on the SGX. CMT is included in several indices, such as MSCI World Index, FTSE EPRA Nareit Global Real Estate Index Series and FTSE Straits Times Index. CMT is managed by CapitaLand Mall Trust Management Limited, which is a wholly owned subsidiary CapitaLand Ltd ("CAPL"). CAPL has a 28.48% stake in CMT.

CCT was listed on the SGX two years after CMT in May 2004. CCT is the largest commercial REIT in Singapore, and has a market capitalisation of SGD8.3bn as at 23 January 2020. Its portfolio comprises eight Grade A office assets in Singapore Central Business District and two office buildings in Frankfurt, Germany (portfolio valuation: SGD11.1bn). CCT also owns 10.9% of MRCB-Quill REIT, a commercial REIT listed in Malaysia. CCT is managed by CapitaLand Commercial Trust Management Limited, which is a wholly owned subsidiary CapitaLand Ltd ("CAPL"). CCT is 29.37% own by CAPL.

**Figure 1: Selected Balance Sheet Items of CMT and CCT**

| As at 31 Dec 2019 (SGD'mn) | CMT | CCT |
|---|---|---|
| Cash | 202.2 | 205.5 |
| Short Term Debt | 259.8 | 42.7 |
| Long Term Debt | 3,301.1 | 2,767.8 |
| Gross Debt | 3,560.9 | 2,810.5 |
| Net Debt | 3,358.7 | 2,605.0 |
| Total Equity | 7,767.2 | 7,214.4 |
| Total Asset | 11,731.7 | 10,190.8 |
| Total Deposited Property Value | 12,205.0 | 11,778.1 |
| Aggregate Leverage | 32.9% | 35.1% |
| Net gearing | 43.2% | 36.1% |

*Source: Company (based on latest available quarter), OCBC Credit Research*

**Figure 2: Selected Income Statement Items of CMT and CCT**

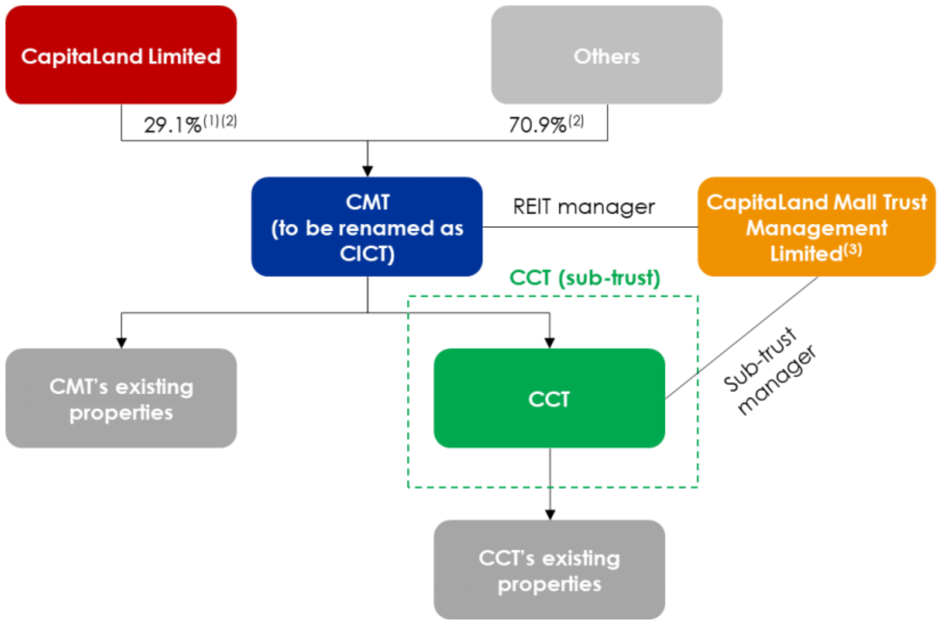
| As at 31 Dec 2019 (SGD'mn) | CMT | CCT |
|---|---|---|
| Revenue | 786.7 | 412.3 |
| Net Property Income ("NPI") | 558.2 | 321.2 |
| EBITDA | 505.7 | 294.6 |
| NPI incl. share of results of associates and JVs | 647.4 | 436.9 |
| Interest Cost | 118.5 | 69.2 |

| | | |
|---|---|---|
| Net profit | 676.7 | 435.9 |
| EBITDA Margin | 64.3% | 71.4% |
| EBITDA/Interest | 4.27x | 4.26x |

*Source: Company (based on latest available quarter), OCBC Credit Research*

**Key Information**

**Post-Merger Structure**




**Notes:** Simplified group structure for illustration only. Assuming completion of the Merger and the Trust Scheme.
(1) Through its wholly-owned subsidiaries, including the CMT Manager.
(2) Illustrative pro forma unitholding structure based on latest available information as at 21 January 2020.
(3) Wholly-owned subsidiary of CapitaLand Limited.

*Source: Company*

**Financing of the deal**

The total consideration for CMT is 88% in new units in CMT and 12% in cash. This assumes that each CCT unit is SGD2.1238 (0.29% discount to the last traded price prior to the announcement). The new CMT units will be issued at SGD2.59 per share, which is also the last traded price prior to the announcement. Therefore, CCT unitholders will receive 0.720 new CMT units and SGD0.2590 in cash per CCT unit. The portion to be paid in cash is estimated to be SGD1,021.1mn, and will be financed by debt to be taken by CMT.

**Pre-conditions**

The proposed transaction is conditional on the following approvals, among others.

- **CMT unitholders approving the deal:** Given that this is a related party transaction, an extraordinary general meeting will be held in May 2020. Unitholders' approval is also required on the proposed issuance of the consideration shares.
- **CCT unitholders approving the deal:** Given that this is a related party transaction, an extraordinary general meeting will be held in May 2020.
- **MAS to confirm the following:**
  - Merger will not require two independent valuations of the real estate assets of CCT.
  - The consideration to be paid to CCT unitholders need not be at a price less than the higher of the assessed values of the real estate assets of CCT undertaken by each of the two independent valuers.
  - CCT is no longer an authorised collective investment scheme (i.e. REIT) and CCT as a

private sub-trust will no longer be subject to the requirements which govern collective investment schemes.

**Indicative Timeline**

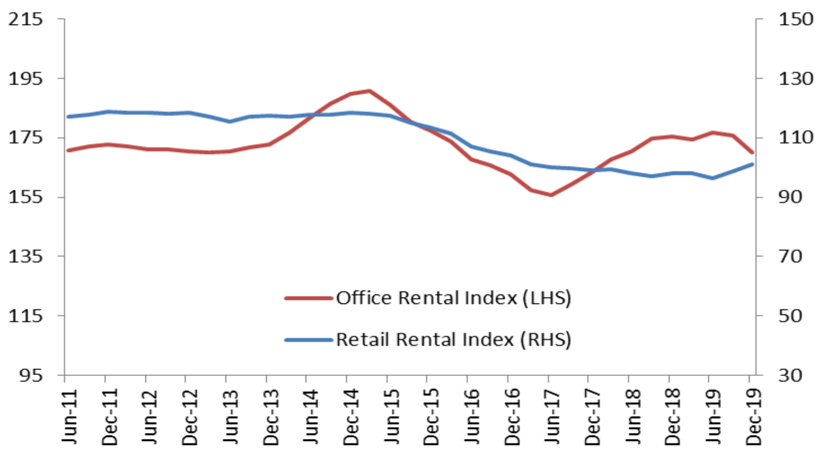
- January 22, 2020: Announcement of Merger
- May 2020: Expected date of Extraordinary General Meeting for both REITs
- June 2020: Payment of Scheme Consideration to CCT unitholders, commencement of trading of Consideration Units and delisting of CCT.

## Key Considerations

- **Big getting bigger:** CICT, the merged REIT, will be the third largest REIT in Asia Pacific and the largest REIT in Singapore. The combined market capitalisation is SGD16.8bn, with an aggregate property value of SGD22.9bn. Ahead of CICT are Scentre Group (market cap: SGD19.1bn) and Link REIT (market cap: SGD30.2bn). Essentially, CICT will be roughly 1.8x of CMT and 2.0x of CCT based on market capitalisation. Having said that, CMT and CCT are big players within their respective sub-sectors in the Singapore property market to begin with. CMT is the largest shopping mall owner Singapore, holding 14.4% of the total stock by net lettable area ("NLA"), ahead of NTUC in the second place which holds just 5.8%. CCT on the other hand holds eight Grade A office within Singapore's Central Business District.

- **Diversifying across property types:** CICT based on property value have a 38% exposure to Office, 33% exposure to Retail, and 29% exposure to Integrated Developments. CMT's exposure by property value is 64% Retail and 36% Integrated Developments while that of CCT is 77% Office and 23% Integrated Developments. While the diversification could be seen as a plus to investors given that the blend of roughly equal exposures provides a hedge against market cycles of any particular sub-sector, the flipside is that investors lose the option to pick and invest according to how the cycle turns for each sub-sector. For active investors who value this option, we can imagine the combination of two of the largest REITs for each of their respectively sub-sector to be a significant loss for them. As seen in Figure 4 below, the rental rates of Office spaces and Retail spaces do not directly correlate. In fact, office rents appear to be comparatively more cyclical.

**Figure 3: URA Office Rental Index Vs. URA Retail Rental Index**

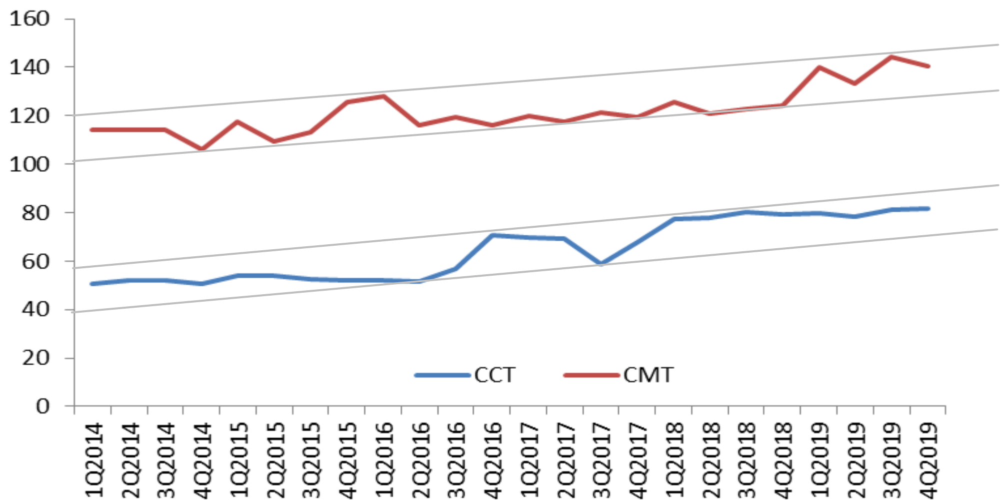



*Source: URA, OCBC Credit Research*

- **The strategic move is in line with government initiatives:** Diversifying across property types is an observed trend which we have previously written about in our [Singapore Outlook 2020 (page 41)](). With this diversification, CICT is positioned to seize opportunities within the mixed-use development space given their blend of expertise and experience. CapitaSpring, 45% owned by CCT and currently under development, is an example. The property will have 299 units residential space, office space, retail shops and a two-storey food market. This strategic move is also in line with government initiatives. URA introduced two schemes in March 2019 (1) CBD Incentive Scheme – to encourage building owners to convert office developments in the CBD to mixed-use developments as part of plans to rejuvenate the city centre, and (2) Strategic Development Incentive Scheme which is applicable to areas such as Orchard and Downtown. Broadly, we think there will be more opportunities relating to mixed-used developments and the combination of the REIT is timely, though arguably a partnership between sister REITs may work as well. Overall, we think mixed-use developments are by and large credit positive since footfall is somewhat guaranteed for a property with both residential and office components.

- **Enhanced stability:** Broadly, we expect CICT's top line figures to become more stable relative to CCT and CMT's individual top lines, given that asset concentration risk (though not a concern to begin with) would be further reduced. Raffles City Singapore is expected to account for 16% of the total NPI of CICT, followed by Asia Square Tower 2 at 8%. Although Raffles City Singapore will be CICT largest NPI contributor, we note that the property has office, retail and hotel components. Therefore, the NPI from Raffles City Singapore is diversified across three sub-sectors. With this intrinsic stability we think CICT as a portfolio would be able to tolerate more risk relative to the individual sister REITs, and this would open up more possibilities in terms of projects and initiatives for CICT to embark on. Figure 5 shows the NPI income of both REITs over a five-year period. Both of their respective NPIs have displayed a general uptrend with small fluctuations. Average change in NPI for CMT is 1.1% q/q and 4.7% y/y while that for CCT is 2.4% q/q and 10.1% y/y between 2014 and 2019.

**Figure 4: Net Property Income over Time for CMT and CCT (SGD'mn)**



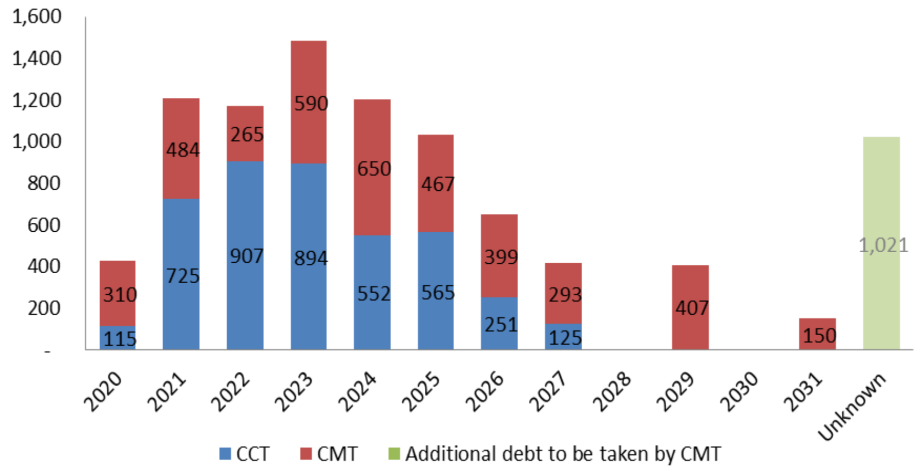

*Source: Company, OCBC Credit Research*

- **Pooling of debt headroom:** REITs have a cap on their aggregate leverage at 45%. Typically, REITs implicitly try not to exceed 40%. CMT alone has an aggregate leverage of 32.9% as at 31 December 2019. This translates to a debt headroom of SGD866mn, assuming it does not go beyond 40% aggregate leverage. CCT alone would have debt headroom of SGD578mn, given its current aggregate leverage is 35.1%. When combined, CICT would have headroom of as much as SGD1.4bn (assuming a 40% limit). Given the significant increase in debt headroom, we think this combination would open up new possibilities and opportunities for CICT to pursue inorganic growth. CICT would also be able to undertake larger redevelopments and asset enhancement initiatives to deliver organic growth. In addition, the absence or reduction of contributions from a property when it is undergoing an asset enhancement initiative would have a much smaller and manageable impact on the overall revenue and NPIs of the REIT as each asset accounts for a smaller proportion of the pie.

- **Property development capacity:** Apart from debt headroom, CICT would also combine the development headroom that the REITs have. As a recap, the development limit for REITs is 10% of their deposited property. An additional 15% allowance, over the 10% limit is allowed if (1) used solely for the redevelopment of an existing property that has been held by the REIT for a minimum of three years and which the REIT will continue to hold for at least three years after the redevelopment and (2) the REIT obtains unitholders' approval. This limit restricts the quantum of the development that a REIT can embark on. CICT would have room to work with as much as SGD2.4bn per the 10% limit and another SGD3.6bn per the additional 15% limit. Individually, the 10% limit for both REITs are SGD1.2bn each while the additional 15% limit is another SGD1.8bn each. As a gauge, the entire project development expenditure for CapitaSpring (which CCT has a 45% stake in) is estimated to be SGD1.82bn. Evidently, the quantum of the entire project was too large for standalone CCT to complete singlehandedly. We note that Guoco Midtown by GuocoLand (a property developer) is a SGD2.4bn integrated development which features a 30 storey office block, a residential tower (>200 units) and some retail spaces. The size of the project by GuocoLand would fall within the limit of CICT and hence it would be possible for CICT to pursue similar opportunities within Singapore. However, we note there are stark differences between the two names, with one being a property developer and CICT being a REIT.

- **Higher aggregate leverage:** CICT is estimated to see aggregate leverage at 38.3%. We note that CCT's aggregate leverage as at 31 December 2019 was 35.1% and that for CMT was 32.9%. The higher aggregate leverage can be explained by CMT taking up debt of SGD1,021.1mn (estimation provided by CMT and CCT) to fund the cash portion to be paid to existing CCT unitholders. With aggregate leverage at 38% handle, CICT would be more leveraged than its peers. EBITDA/Interest would also be lower at ~3.8x, based on the provided effective interest rate of 2.75% p.a. and the consolidation of RCS Trust onto CICT's financial results. Given where aggregate leverage has historically been for CMT and CCT, we think CICT would be keen to explore ways to deleverage and also to generate further headroom to pursue opportunities via debt in the future. Some more direct ways to do are via the issuance of perpetual bond and secondary equity fund raising.

**Figure 5: CMT and CCT's combined debt maturity profile as at 31 December 2019 (SGD'mn)**




*Source: Company, OCBC Credit Research*

**Figure 6: Information on CMT, CCT and CICT**

| As at 31 Dec 2019 | CMT | CCT | CICT |
|---|---|---|---|
| Geography by Portfolio value | Singapore | Singapore (92%), Germany (8%) | Singapore (96%), Germany (4%) |
| Asset Diversification | 15 properties | 10 properties | 24 properties, Office (38%), Retail (33%), Integrated Developments (29%) |
| Total Assets (SGD'bn) | 11.7 | 10.2 | 21.9 |
| Unencumbered assets as a % of total portfolio valuation | 100% | 91.8% | 96.0%[1] |
| Sponsor | CAPL | CAPL | CAPL |
| Portfolio Property Value (SGD'bn) | 12.2 | 11.1 | 23.2 |
| Occupancy Rate | 99.3% | 98.0% | ~99% |
| Aggregate Leverage | 32.9% | 35.1% | 38.3% |
| EBITDA/Interest | 4.27x | 4.26x | ~3.8x[2] |
| Issuer Profile | Positive (2) | Neutral (3) | *Indicative Neutral (3)* |

*Source: Company (based on latest available quarter), OCBC Credit Research*
*[1]Assumes any new debt taken would be unsecured*
*[2]Based on provided effective interest rate of 2.75% p.a.; and consolidates RCS Trust*

- **Potential acquisitions:** CICT's Sponsor, CAPL has assets which we think CICT is likely to be interested in acquiring should CAPL be looking to sell. Management of CMT and CCT have also guided that their interest lies in developed markets as opposed to emerging markets. Therefore, we have narrowed down to the following potential assets
  1) ION Orchard, which CAPL has a 50% stake in, is a premier retail property at the heart of the Orchard Road shopping belt (opened in July 2009)
  2) Jewel Changi Airport (CAPL stake: 49%) is a retail property located in close proximity to the Singapore Changi airport (opened in Oct 2019)
  3) Commercial and retail properties in Japan which CAPL has a 100% stake in such as Yokohama Blue Avenue, Olinas Mall, Vivit Minami-Funabashi and Seiyu & Sundrug
  4) Portfolio of 16 multifamily properties in the United States (CAPL stake: 100%). Comparatively, we think the chances of CICT acquiring this group of properties is slim given that we think there is economies of scale in having one management handle the entire portfolio instead of a REIT managing a handful of the properties. In addition, these properties for lodging which in our opinion have less synergy with CICT's assets.

  Sponsor related opportunities aside, we think CICT is likely to pursue acquisition opportunities from third parties, build on its existing exposure in Germany (including the Europe region) as well as sales of land allocated for integrated developments from the Singapore government. While the acquisition of CapitaLand Retail China Trust ("CRCT") is unlikely at this point, we note that CMT has an 11% stake in CRCT.

- **Organic growth opportunities:** Rejuvenating works had commenced in 3Q2019 for Lot One Shoppers' Mall. The works include upgrading of the cinema and expansion of the library. We think CICT is likely to embark on similar initiatives for some of its malls or office buildings further down the road. While we do not see the pressing need to rejuvenate any of its malls or office properties at this point, several of their properties such as JCube, IMM Building and Junction 8 may benefit from some renovation works in a few years' time.

- **Potentially lowering cost of capital:** On announcement day, CMT's dividend yield was 4.62% while CCT's was 4.17%. As at 31 December 2019, CMT's cost of debt was 3.2% for an average term to maturity of 5.0 years while CCT's was 2.4% for an average term to maturity of 3.8 years. We estimate that CICT's cost of debt would be ~2.8%. Dividend yield which is component of cost of equity is likely to fall below 4.62% should CICT's share price rally over time. A lower cost of capital is a financial synergy of the merger though the extent is difficult to quantify at this point. In addition, the merger is also expected to be accretive to unitholders in terms of distribution per unit by 1.6% from 11.97 cents in 2019 to 12.17 cents. This would also mean that dividend yield would only be lower than 4.62% if CICT's share price is SGD$2.63 per unit or higher. Overall, we think this remains difficult to quantify or attribute directly to the merger per se.

- **RCS Trust to continue to exist?:** CMT and CCT both hold stakes in Raffles City Singapore through RCS Trust. With the merger, RCS Trust in our opinion would be made redundant. However, given that RCS Trust has SGD1.1bn borrowing and SGD725mn of which are SGD bonds, we think RCS Trust will continue to exist. Otherwise, terms approved in writing by the Trustee or by an extraordinary resolution would be required to cease RCS Trust due to a merger. The borrowing held at RCS Trust is currently off balance sheet for both CMT and CCT. With the merger, RCS Trust would become a wholly owned subsidiary of CICT and its financials will be consolidated to CICT's financial results. Estimated aggregate leverage of CICT has already accounted for the debt at RCS Trust level.

**What transaction means to bondholders**

- **CCT bondholders**
  - No delisting put.
  - Redemption upon termination of CCT applicable. CCT must either seek approval by the Trustee or bondholders by way of an extraordinary resolution otherwise event would constitute an event of default.
- **RCS bondholders**
  - Terms approved in writing by the Trustee or by an extraordinary resolution would be required to cease RCS Trust due to a merger, otherwise ceasing of the trust would constitute an event of default for the bonds issued by RCS Trust.
- **CMT bondholders**
  - Merger must be approved by Trustee otherwise the event would constitute an event of default.

**Figure 7: Properties of CICT**

| Properties | Sub-sector | Valuation (SGD'mn) | Occupancy (%) | Is the Asset Encumbered? |
|---|---|---|---|---|
| Raffles City Singapore | Integrated | 3384 | Retail: 98.9<br>Office: 97.2 | No |
| Plaza Singapura | Integrated | 1349 | 100 | No |
| Funan | Integrated | 775 | 99 | No |
| The Atrium@Orchard | Integrated | 764 | 99.6 | No |
| Asia Square Tower 2 | Office | 2186 | 95.4 | No |
| CapitaGreen | Office | 1646 | 100 | No |
| Six Battery Road | Office | 1438 | 98.7 | No |
| Capital Tower | Office | 1394 | 100 | No |
| One George Street (50%) | Office | 572 | 100 | No |
| Galileo (94.9%) | Office | 528 | 100 | Yes |
| CapitaSpring (45%) | Integrated | 478 | NA | No |
| 21 Collyer Quay | Office | 466 | 100 | No |
| Main Airport Center (94.9%) | Office | 385 | 93.1 | Yes |
| Westgate | Retail | 1131 | 99.9 | No |
| Bugis Junction | Retail | 1106 | 100 | No |
| Tampines Mall | Retail | 1085 | 100 | No |
| Junction 8 | Retail | 799 | 100 | No |
| Bedok Mall | Retail | 794 | 99.5 | No |
| IMM Building | Retail | 675 | 99.4 | No |
| Lot One Shoppers' Mall | Retail | 537 | 99.3 | No |
| Clarke Quay | Retail | 414 | 100 | No |
| Bugis+ | Retail | 357 | 100 | No |
| Bukit Panjang Plaza | Retail | 330 | 95.6 | No |
| Jcube | Retail | 288 | 95.6 | No |

*Source: Company (based on latest available quarter), OCBC Credit Research*

**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 Research & Strategy*
LingSSSelena@ocbc.com

**Tommy Xie Dongming**
*Head of Greater China Research*
XieD@ocbc.com

**Wellian Wiranto**
*Malaysia & Indonesia*
WellianWiranto@ocbc.com

**Terence Wu**
*FX Strategist*
TerenceWu@ocbc.com

**Howie Lee**
*Thailand, Korea & Commodities*
HowieLee@ocbc.com

**Carie Li**
*Hong Kong & Macau*
carierli@ocbcwh.com

**Dick Yu**
*Hong Kong & Macau*
dicksnyu@ocbcwh.com

## Credit Research

**Andrew Wong**
*Credit Research Analyst*
WongVKAM@ocbc.com

**Ezien Hoo**
*Credit Research Analyst*
EzienHoo@ocbc.com

**Wong Hong Wei**
*Credit Research Analyst*
WongHongWei@ocbc.com

**Seow Zhi Qi**
*Credit Research Analyst*
ZhiQiSeow@ocbc.com