

Issuer Profile:

Unrated

Ticker:

FSGSP

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First Sponsor Group Ltd (“FSG”)

New Issue

- FSG is looking to price a **SGD 5-year issue, with IPG at 3.40% area**.
- FSG, incorporated in the Cayman Islands and listed on the Singapore Stock Exchange with a market cap of SGD1.1bn as at 13 February 2020 is an investment holding company involved in property development, property investment holding (hospitality and office assets) and property financing (including entrusted loans to Mainland Chinese developers).
- Proceeds from the issuance will be used for general corporate purposes, including refinancing of borrowings and financing investments and general working capital of the group.

Recommendation

- We think the new issue looks attractive. Based on our estimation, the IPG of 3.40% area represents a spread over swap of 185bps.
 - i) This is 25bps above WINGTA 4.7% '24s for a one year longer tenor
 - ii) ~36bps above AGSP 3.15% '25s for a similar maturity
- **We place fair value around 3.2%**. Please note that OCBC Credit Research does not officially cover FSG nor have assigned an Issuer Profile Score to this issuer.
- FSG had a small bond that was priced in 2015 which had since matured in June 2018 (its first time issue in the SGD bond market). The issuer currently has a SGD-denominated convertible perpetual that is outstanding.
- As at 31 December 2019, net gearing was 0.2x. We think as FSG is still on a growth trend, this is likely to tilt up. In the most recent two years, FSG's net gearing was around the 0.3-0.4x level.
- Financial covenants help mitigate the issuer from being overly geared. The issuer is subjected to two financial covenants, namely (1) Consolidated total equity shall not at any time be less than SGD620mn and (2) Net gearing shall not at any time be more than 0.8x. As at 31 December 2019, FSG's book value equity was SGD1.6bn.

Relative Value:

Bond	Maturity / Call date	Net gearing	Ask YTW	Spread
FSG new issue	2025	0.19x	3.4% (IPG)	~185bps
WINGTA 4.7% '24s	28 February 2024	0.12x	3.13%	160bps
AGSP 3.15% '25s	16 January 2025	0.65x	3.04%	149bps

*Indicative prices as at 13 February 2019 Source: Bloomberg
Net gearing based on latest available quarter; for FSG as at 31 Dec 2019*

Background

- FSG's business spans Mainland China (Chengdu and increasingly Dongguan for property development), Europe (the Netherlands and Germany) and Australia (Sydney).
- For the financial year ended December 2019 (“2019”), Property Development was the largest income contributor, recording SGD160.6mn in property before income tax (“PBT”), Property Financing is the second largest PBT contributor at SGD74.6mn. Revenue from its Property Investment segment is more recurring in nature. This segment contributed SGD34.6mn to PBT. Hotel Operations though was loss making at –SGD63.8mn. All-in FSG reported SGD194.2mn in PBT for 2019.
- As at 31 December 2019, a total asset was SGD2.8bn.
- While the issuer is a less familiar name in the SGD bond market, it is an associate company of City Developments Ltd (“CDL”), Issuer profile: Neutral (3)), one of Singapore's largest property developer. CDL holds a 35.9%-stake in FSG and has board representation at FSG. FSG's largest shareholder is Tai Tak Estates Sendirian Berhad (“Tai Tak”), with a 45.4%-stake in the company. Tai Tak, a private company controlled by the Ho family which has

expanded beyond banking and rubber plantations to investing across a wide range of businesses.

Recent Write-ups on comparable issuers from OCBC Credit Research

- [Singapore Outlook 2020 \(03 Jan 2020\)](#)
- [Allgreen Properties Ltd New Issue View \(09 Jan 2020\)](#)
- [CDL Earnings Review 2Q2019 \(15 Aug 2019\)](#)

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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