

Issuer Profile:

Unrated

Ticker:

AGSP

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Allgreen Properties Ltd ("AG")

New Issue

- Allgreen Treasury Pte. Ltd. is looking to price a **SGD 5-year issue, with IPG at 3.25% area**. The guarantor is Allgreen Properties Ltd ("AG").
- Proceeds from the issuance will be used for refinancing of borrowings, financing of potential acquisitions and business expansions, general working capital and capital expenditure.

Recommendation

- We think the new issue looks attractive. Based on our estimation, the IPG of 3.25% area represents a spread over swap of 175bps.
 - This is 50bps above CITSP 3% '24s for a ~11 month longer tenor
 - ~60bps wider than UOLSP 3% '24s which has a ~8 month shorter tenor and a much lower net gearing
 - Roughly in line with GUOLSP 3.85% '23s which has a 1 year 11 month shorter tenor and a net gearing of 81%.
- We place fair value around 2.9% - 3.0%.** Please note that OCBC Credit Research does not officially cover AG nor have assigned an Issuer Profile Score to this issuer.
- We think where CITSP 3% '24s is trading at is the ceiling for the new AGSP bond as City Development Ltd ("CDL") has a much larger asset base of SGD23bn and its investment properties along with hotel operations generated SGD557mn revenue in 9M2019.
- AG was once upon a time an active bond issuer and has been absent from the debt market since October 2010, we expect the market to be receptive to this issuance and possibly push the spread on the new bond tighter in the secondary market.
- Revenue from rental of investment properties and hotel operations are recurring. The recorded amount was SGD152mn in 2018 (51% of total revenue) and SGD160mn in 2017 (30% of total revenue).
- AG appears to be on a leveraging trend. Net gearing as at 30 June 2019 was 0.65x (end 2018: 0.59x, end 2017: 0.23x).
- Of its SGD5.0bn assets, investment properties make up 35%, followed by development properties at 32%, hospitality assets at 19% and PRC investments at 14%. We think AG is substantially diversified.

Relative Value:

Bond	Maturity / Call date	Net gearing	Ask YTW	Spread
AGSP new issue	2025	65%	3.25% (IPG)	~175bps
CITSP 3% 2024	17/02/2024	69%	2.67%	122bps
CITSP 2.8% 2023	27/06/2023	69%	2.59%	116bps
UOLSP 3% 2024	23/05/2024	29%	2.60%	114bps
GUOLSP 3.85% 2023	15/02/2023	81%	3.16%	175bps

Indicative prices as at 09 January 2019 Source: Bloomberg
Net gearing based on latest available quarter; for AGSP as at 30 June 2019

Background

- Allgreen Properties Ltd ("AG") is a property investment and property development company in Singapore.
- Incorporated in 1986, AG was listed on the SGX in May 1999 and was then majority owned by Kuok Group. It was delisted in Aug 2011 from the SGX following its compulsory acquisition by Brookvale Investment Pte Ltd, which is wholly owned by the Kuok Group of companies.
- AG is privately held and does not publish its financials. AG has total assets of SGD5.0bn and total equity of SGD2.8bn as at 30 June 2019.

- AG's business is organised into four main segments.
 - i) Investment properties consist of Great World City, Tanglin Mall and Tanglin Place
 - ii) Development properties are Fourth Avenue Residence, Juniper Hill, Royalgreen and Pasir Ris Central.
 - iii) Hospitality properties are Great World Serviced Apartments and Hotel Jen
 - iv) Overseas investments are in China and Vietnam.

Recent Write-ups on comparable issuers from OCBC Credit Research

- [Singapore Outlook 2020 \(03 Jan 2020\)](#)
- [GUOL Earnings Review 4QFY2019 \(29 Aug 2019\)](#)
- [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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