

Market Commentary

- The SGD swap curve bear steepened yesterday, with shorter and belly tenors trading 2-3bps higher, and longer tenors trading 3-4bps higher.
- There were heavy flows in SGD Corporates yesterday, with flows in AAREIT 5.375%-PERPs, UBS 4.85%-PERPs, and SUNSP 4.25%-PERPs.
- UST 10Y Yields rose 1bps to 1.32% yesterday as investors await the conclusion of the FOMC meeting and any follow-on developments regarding Evergrande's debt situation. Later today, Fed Chairman Jerome Powell will be addressing the public on any potential adjustments to the central bank's monetary policy and asset purchases plan moving forward.

Credit Research

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Credit Summary:

- [AusNet Services Ltd \("AST"\)](#) | **Issuer profile: Neutral (3)**: AST has provided a response to the offer from APA Group ("APA") where the company had received an unsolicited, indicative, non-binding and conditional proposal from APA to buy all shares in AST for a combination of cash and 0.0878 APA stapled securities per share. More information over APA's earlier offer was also provided. We maintain the issuer profile at Neutral (3) for now.
- [Credit Suisse \("CS"\)](#) | **Issuer profile: Neutral (4)**: Reportedly, CS is considering to move its investment banking operations for Asia into its global securities and advisory business as part of a broader operational restructuring by CS' Chairman.
- [Lendlease Global Commercial REIT \("LREIT"\)](#) | **Issuer Profile: Neutral (4)**: LREIT has acquired a total of 17.8%-stake in Lendlease Asian Retail Investment Fund 3 Ltd ("ARIF3"), in two tranches on 17 September and 21 September. The total consideration is SGD159mn.
- [Oxley Holdings Ltd \("OHL"\)](#) | **Issuer Profile: Negative (6)**: OHL divested the land parcels at 173-177 Walker Street, North Sydney, Australia and will be receiving gross proceeds of SGD96.3mn, following through the previous announcement of a potential divestment of land parcel for around SGD100mn.
- [Qantas Airways Ltd \("Qantas"\)](#) | **Issuer Profile: Neutral (5)**: Qantas announced its annual report for the financial year ended 30 June 2021 ("FY2021"). We maintain Qantas at an issuer profile of Neutral (5).
- [StarHub Ltd \("StarHub"\)](#) | **Issuer Profile: Neutral (3)**: StarHub is acquiring 50.1%-stake in MyRepublic Broadband Pte Ltd ("MyRepublic"), which holds the Singapore broadband business. The investment cost will be SGD162.8mn, comprising of (1) SGD70.8mn initial consideration and up to (2) SGD92mn deferred consideration should future financial performance are met (which is dependent on the EBITDA for FY2023 and final EBITDA for FY2021).

Asian Credit Daily

Credit Headlines

AusNet Services Ltd (“AST”) | Issuer profile: Neutral (3):

- AST has provided a response to the [offer from APA Group \(“APA”\)](#) where the company had received an unsolicited, indicative, non-binding and conditional proposal from APA to buy all shares in AST for a combination of cash and 0.0878 APA stapled securities per share. More information over APA’s earlier offer was also provided.
- Per AST, the board in consultation with its advisers, had assessed APA’s original indicative proposal against Brookfield Asset Management (“Brookfield”)’s original indicative proposals (which is all-cash) and concluded that the original APA offer was inferior in respect of price, form of consideration, structure and certainty and that it was in the best interest of AusNet shareholders to engage with Brookfield on its proposal.
- Exclusive due diligence access is a key condition on Brookfield’s improved proposals. This would enable Brookfield to put forward a binding offer post due diligence.
- AST will consider the APA revised indicative proposal and the ability to engage with APA following completion of the exclusivity period. AST shares has resumed trading as of writing.
- In a nutshell, there is a bidding war for AST though in our view, AST is currently prioritising the offer from Brookfield. The credit impact is yet indeterminate in our view due to the uncertainty on who would be the winning bidder and the specific deal structure. We note that Brookfield is externally rated at a similar level to AST though APA Group is externally rated lower with bond prices implying a higher cost of funding versus AST in AUD-terms. We maintain the issuer profile at Neutral (3) for now. (Company, OCBC)

Credit Suisse (“CS”) | Issuer profile: Neutral (4):

- Reportedly, CS is considering to move its investment banking operations for Asia into its global securities and advisory business as part of a broader operational restructuring by CS’ Chairman.
- This would mark a departure from the previous model where the unit had more autonomy under previous management. (Bloomberg)

Lendlease Global Commercial REIT (“LREIT”) | Issuer Profile: Neutral (4):

- LREIT has acquired a total of 17.8%-stake in Lendlease Asian Retail Investment Fund 3 Ltd (“ARIF3”), in two tranches on 17 September and 21 September. The total consideration is SGD159mn.
- This is in-line with our expectations, as highlighted in [our initiation on 17 September](#).
- Post-transaction, LREIT holds an effective 31.8% effective interest in Jem. (Company, OCBC)

Oxley Holdings Ltd (“OHL”) | Issuer Profile: Negative (6):

- OHL divested the land parcels at 173-177 Walker Street, North Sydney, Australia and will be receiving gross proceeds of SGD96.3mn, [following through the previous announcement of a potential divestment of land parcel for around SGD100mn](#). The land parcels had a book value of SGD60mn as of 30 Jun 2020.
- As a result, this will have a positive impact to the earnings of OHL and should contribute positively to the cashflow and improve near-term liquidity. (Company, OCBC)

Asian Credit Daily

Credit Headlines

Qantas Airways Ltd ("Qantas") | Issuer Profile: Neutral (5) :

- Qantas announced its annual report for the financial year ended 30 June 2021 ("FY2021"). Revenue at Qantas for FY2021 was AUD5.9bn (down 58.4% y/y) while Qantas reported a statutory loss after tax of AUD1.7bn. Similar to other airlines in the Asia-Pacific region, the company's business operations was significantly impacted from COVID-19.
- Per company, when the outbreaks were contained and domestic borders reopened, the company saw a significant increase in domestic travel, peaking in the early months of 4QFY2021. However, since June 2021, the country has been affected COVID-19 outbreaks with bulk of the domestic borders closed.
- Underlying loss before interest and tax was AUD1.8bn in FY2021 (1HFY2021: underlying loss before interest of AUD888mn). In FY2020, Qantas managed to report underlying profit before tax of AUD124mn (since COVID-19 only hit in 2HFY2020). In contrast, Qantas reported underlying profit before tax of AUD1.3bn in FY2019 (pre-COVID-19).
- All segments, excluding Qantas Loyalty, reported an underlying loss before interest and tax, with the biggest y/y change in absolute terms seen in the Qantas Domestic segment (down AUD763mn) followed by Qantas International (down AUD631mn). Qantas Loyalty was resilient, albeit down by 20% y/y and still reported an Underlying EBIT of AUD272mn in FY2021 (FY2020: AUD341mn). As at 30 June 2021, Qantas Frequent Flyer had 13.6 million members increasing from 13.4 million as at 30 June 2020.
- Per company, net operating cash outflow for FY2021 of AUD386mn included one-off restructuring, redundancies, refunds and deferred payables though the underlying operations generated positive cash flow.
- Reported Underlying EBITDA for FY2021 was AUD410mn (FY2020: AUD2.4bn and FY2019: AUD3.5bn).
- As at 30 June 2021, Qantas has AUD3.8bn in available liquidity (in line with end-2020). This includes AUD1.6bn in committed undrawn facilities and AUD2.2bn in cash and cash equivalents. Per the company, it also maintains more than AUD2.5bn of unencumbered asset base.
- As at 30 June 2021, unadjusted gross gearing had spiked to 15.9x from 11.6x as at 31 December 2020 even though gross debt (including significant lease liabilities) had actually declined 6.4% h/h on the back of compression in book value equity.
- However, on a market-implied basis, Qantas' gross debt-to-market value of equity was encouragingly only 0.8x where access to equity capital markets remains available.
- Qantas' debt is relatively staggered. As at 30 June 2021, AUD985mn (including AUD300mn of bonds but excluding lease liabilities) matures in FY2022. This represents ~14% of total debt, excluding lease liabilities. We maintain Qantas at an issuer profile of Neutral (5). (Company, OCBC)

Asian Credit Daily**Credit Headlines****StarHub Ltd (“StarHub”) | Issuer Profile: Neutral (3):**

- StarHub is acquiring 50.1%-stake in MyRepublic Broadband Pte Ltd (“MyRepublic”), which holds the Singapore broadband business. The investment cost will be SGD162.8mn, comprising of (1) SGD70.8mn initial consideration and up to (2) SGD92mn deferred consideration should future financial performance are met (which is dependent on the EBITDA for FY2023 and final EBITDA for FY2021). In addition, StarHub will be extending (3) include SGD105mn bridge loan to MyRepublic Holdings Ltd (“MR HoldCo”) to repay its existing debt and also a (4) 3-year loan of SGD74.2mn to MR HoldCo.
- In total, the aggregate proposed transaction cost is SGD334.9mn. This is based on (1), (2), maximum net closing adjustment amount of SGD5mn, and the higher of (3) or (4) or SGD167.1mn.
- MR HoldCo and its subsidiaries provide broadband services in Singapore for residential and enterprise customers (“MR Singapore Broadband Business”). MR HoldCo is the holding company of MyRepublic Ltd, which in turn is a subsidiary of MyRepublic Group Ltd. As a condition precedent to the completion of the acquisition, the MR Singapore Broadband Business will be transferred to MyRepublic. The remaining 49.9%-stake will be retained by MyRepublic while its senior management team will continue to lead.
- MyRepublic has 89k subscribers representing 6% market share in the Singapore broadband market. Post the acquisition, StarHub’s market share will be increased to 40%, which will be just behind the market leader’s 43% (which is most likely SingTel). We note that MyRepublic’s broadband subscribers in Singapore grew by 9.2% CAGR over FY2017 to FY2021. Post the acquisition, StarHub’s proforma broadband revenue will increase from SGD176mn to SGD240mn, while the proforma net profit for StarHub will increase from SGD158mn to SGD163mn.
- In addition, there are synergies with MyRepublic’s broadband customer base gaining access to offerings from StarHub’s Consumer and Enterprise Business Groups, including the growing suite of products and offering connectivity, over-the-top content, cloud gaming and others.
- StarHub is expected to fund the investment cost using internal cash resources, and we note that StarHub has SGD718.6mn of cash as of end June 2021.
- We think this is somewhat credit negative given the size of the acquisition, though we think a larger market share may allow StarHub to improve its profitability if revenue from broadband can be increased. (Company, OCBC)

Key Market Movements

	22-Sep	1W chg (bps)	1M chg (bps)		22-Sep	1W chg	1M chg
iTraxx Asiax IG	88	21	16	Brent Crude Spot (\$/bbl)	74.50	-1.27%	14.30%
iTraxx SovX APAC	25	2	-1	Gold Spot (\$/oz)	1,774.51	-1.09%	-1.71%
iTraxx Japan	49	7	3	CRB	218.32	-1.45%	5.49%
iTraxx Australia	65	9	3	GSCI	529.10	-0.90%	7.01%
CDX NA IG	53	7	4	VIX	24.36	25.18%	31.25%
CDX NA HY	109	-1	0	CT10 (%)	1.318%	1.87	6.25
iTraxx Eur Main	51	6	5				
iTraxx Eur XO	247	21	15	AUD/USD	0.723	-1.38%	0.32%
iTraxx Eur Snr Fin	58	7	5	EUR/USD	1.172	-0.80%	-0.19%
iTraxx Eur Sub Fin	0	0	0	USD/SGD	1.353	-0.89%	0.25%
iTraxx Sovx WE	4	0	-1	AUD/SGD	0.978	0.51%	-0.05%
USD Swap Spread 10Y	2	-1	2	ASX 200	7,261	-2.10%	-2.67%
USD Swap Spread 30Y	-24	-1	4	DJIA	33,920	-1.90%	-3.42%
US Libor-OIS Spread	5	1	1	SPX	4,354	-2.00%	-1.97%
Euro Libor-OIS Spread	-6	0	0	MSCI Asiax	808	-1.85%	3.27%
				HSI	24,222	-5.02%	-2.53%
China 5Y CDS	45	12	10	STI	3,063	-0.56%	-1.27%
Malaysia 5Y CDS	49	7	1	KLCI	1,530	-2.53%	0.82%
Indonesia 5Y CDS	80	13	7	JCI	6,061	-1.11%	0.50%
Thailand 5Y CDS	40	7	4	EU Stoxx 50	4,098	-2.25%	-1.21%
Australia 5Y CDS	15	0	0				

Source: Bloomberg

New Issues

- There were no new issues yesterday.

Date	Issuer	Size	Tenor	Pricing
20-Sep-21	Panther Ventures Ltd (Guarantor: CK Assets Holdings Limited)	SGD300mn	perpNC3	3.38%

Source: OCBC, Bloomberg

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