

### Market Commentary

- The SGD SORA curve traded mostly higher yesterday, with shorter tenors trading 2-6bps higher, belly tenors trading 1-3bps higher, and longer tenors trading 3-7bps higher.
- There were moderate flows in SGD corporates yesterday, with flows in UBS 4.85%-PERPs, STSP 3.3%-PERPs and CAPLSP 3.65%-PERPs.
- UST 10Y yields traded relatively flat for the second consecutive day, remaining mostly unchanged at 2.75%. Favorable earnings reports were released by numerous retailers yesterday, pointing towards possible better than expected consumer sentiment. Retailers Macy's and Williams-Sonoma for example noted particularly strong demand in the high-end goods, with Macy's increasing its profit guidance accordingly. Lower-end segment demand was strong too, with discount stores Dollar Tree and Dollar General also outperforming earnings estimates and increasing their sales guidance. Separately, initial jobless claims for the week ended May 21 came in slightly lower than expected, at 210,000 compared to Bloomberg median estimates of 215,000 and down from the prior week's 218,000.

### Credit Summary:

- **Metro Holdings Ltd ("METRO") | Issuer Profile: Neutral (4):** METRO announced full year results for financial year ended 31 March 2022 ("FY2022"). Gross revenue increased marginally by 3.3% y/y to SGD100.5mn (FY2021: SGD97.3mn) though gross profit fell slightly y/y to SGD15.3mn (FY2021: SGD15.5mn). Metro continued to expand in key markets like Australia, Singapore, Japan and Indonesia. We are maintaining METRO at Neutral (4) Issuer Profile for now.
- **Singapore Telecommunications Ltd ("SingTel") | Issuer Profile: Positive (2):** SingTel reported FY2022 results for the year ended 31 Mar 2022. Excluding one-off impacts from NBN migration revenue and Jobs Support Scheme credits, revenue is largely flattish at around SGD15.3bn, though reported EBITDA grew 8% y/y to SGD3.69bn. While headline growth looks strong, trends diverge between the underlying sub-segments. Looking ahead, SingTel will also be focusing on growth in ICT and digital services, 5G as well as expansion of regional data center platform. We think the cash needs will be balanced by cash inflows. We continue holding SingTel at a Positive (2) Issuer Profile.

### Credit Research

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## Asian Credit Daily

### Credit Headlines

#### Metro Holdings Ltd (“METRO”) | Issuer Profile: Neutral (4):

- METRO announced full year results for financial year ended 31 March 2022 (“FY2022”). Gross revenue increased marginally by 3.3% y/y to SGD100.5mn (FY2021: SGD97.3mn) though gross profit fell slightly y/y to SGD15.3mn (FY2021: SGD15.5mn). This is mainly due to higher revenue from the Retail segment which saw a 19% increase from SGD72.8mn to SGD86.6mn as at 31 March 2022 which was partially offset by lower contributions from the sale of property rights of the residential development projects in Jakarta, Indonesia largely due to the pandemic. Total gross revenue from the Property segment was SGD13.9mn.
- Net profit after tax (“NPAT”) saw a decline from SGD37.0mn to SGD23.7mn y/y due to impairment loss of SGD36.6mn on amount due from associates on co-investments with BentallGreenOak (“BGO”) as a result of ongoing headwinds in the China property sector. NPAT was also impacted by rental rebates and waivers granted to tenants in China due to Covid-19 lockdowns and lower contributions from investment property, The Crest in Singapore. NPAT though was offset by profit from share of associates and one-off divestment gain of SGD7.6mn from European Logistics Fund where it divested all 12 real estate assets located across Poland, United Kingdom and Spain.
- Average occupancy rate for METRO’s investment properties across China (GIE Tower, Metro City and Metro Tower), London (5 Chancery Lane) and Singapore (Asia Green) saw an increase from 91.7% as at 31 March 2021 to 93.9% as at 31 March 2022.
- Metro continued to expand in key markets like Australia, Singapore, Japan and Indonesia.
  - METRO acquired 30% of Cherrybrook Village Shopping Centre in New South Wales, Australia together with its joint venture (“JV”) partner, the Sim Lian Group. METRO also increased its equity stake in JV asset management company Sim Lian – Metro Capital Pte Ltd by 10% to 30%. The asset management company holds 16 freehold properties in office and retail sectors across New South Wales, Victoria, Queensland and Western Australia. The Australian portfolio has a committed average occupancy rate of 95.5% with a weighted average lease expiry (“WALE”) of approximately 6.4 years.
  - In Singapore, METRO acquired 351 Braddell Road, a high-spec industrial property via Boustead Industrial Fund (“BIF”) in which it has a 26% stake. With this new acquisition, BIF now holds 15 industrial, business park, high-spec industrial and logistics properties with committed average occupancy rate of 98.1% and a WALE of ~6.2 years.
  - METRO invested SGD41.3mn for a 7.65% stake in Daiwa House Logistics Trust (“DHLT”) to further diversify into Japan’s logistics and industrial sector. DHLT currently has 14 logistics and industrial properties in Japan.
  - In Indonesia, METRO engaged The Ascott Limited to manage M+ serviced residences in Trans Park Bekasi, Jakarta. METRO owns 90% of this Indonesian portfolio.
  - Post FY2022, METRO invested SGD6mn for a 10% stake in Docmed Technology Pte Ltd (“Docmed”). Docmed provides integrated healthcare platform solutions for the healthcare industry.
- As at 31 March 2022, METRO has SGD331.2mn cash on hand which is sufficient to repay its short term debt including lease liabilities of SGD146.5mn though net gearing was up by approximately 8% to 17.8% as compared to a year ago. We are maintaining METRO at Neutral (4) Issuer Profile for now. (Company, OCBC)

## Asian Credit Daily

### Credit Headlines

#### Singapore Telecommunications Ltd ("SingTel") | Issuer Profile: Positive (2):

- SingTel reported FY2022 results for the year ended 31 Mar 2022. Excluding one-off impacts from NBN migration revenue and Jobs Support Scheme credits, revenue is largely flattish at around SGD15.3bn though reported EBITDA grew 8% y/y to SGD3.69bn with underlying net profit growing 11% y/y to SGD1.92bn.
- While headline growth looks strong, trends diverge between the underlying sub-segments:
  - **Australia consumer:** Excluding NBN migration revenues, revenues fell 3.1% y/y to AUD6.56bn mainly due to lower equipment sales (-16.9% y/y to AUD1.31bn). Despite declines in revenue, reported EBITDA rose 19.0% y/y to AUD1.86bn mainly due to growth in mobile service revenue (+6.7% y/y to AUD3.49bn) with increased penetration of Optus Choice plans. Meanwhile, Home revenue (excluding NBN migration revenue) was flattish (+0.2% y/y to AUD1.20bn) with growth in NBN broadband and fixed wireless access offsetting declines from legacy platforms.
  - **Singapore consumer:** Revenue fell 3.8% y/y to SGD1.76bn mainly due to the decline in sale of equipment (-15.6% y/y to SGD396mn) due to premium handset shortages and longer replacement cycles and decline in legacy segments including pay TV (-5.0% y/y to SGD180mn) and fixed voice (-5.7% y/y to SGD100mn). That said, underlying EBITDA rose 1.1% y/y to SGD580mn, supported by the rise in fixed broadband revenue (+4.9% y/y to SGD270mn) with take-up of higher speed fibre plans while mobile service revenue rose 1.3% y/y to SGD766mn supported by abatement in travel restrictions and increasing adoption of 5G.
  - **Group Enterprise:** Revenue fell 1.1% y/y to SGD3.73bn with growth in ICT (+5.0% y/y to SGD1.09bn) offsetting declines in the Carriage segment (-3.4% y/y to SGD2.63bn) with steep declines in fixed voice (-15.0% y/y to SGD298mn). Reported EBITDA fell by a larger 2.7% y/y to SGD1.23bn as we understand that the Carriage segment is a higher margin segment.
  - **NCS:** Revenue grew 3.3% y/y to SGD2.36bn, mainly due to increase in revenues from applications (+15.3% y/y to SGD712mn), infrastructure (+10.0% y/y to SGD1.24bn) and Cyber (+31.3% y/y to SGD223mn) which offset the decline in engineering (-30.7% y/y to SGD150mn). Reported EBITDA fell 14.0% y/y to SGD302mn. Excluding Job Support Scheme, reported EBITDA would have grown 1.3% y/y, which is smaller than the rise in revenue as we note that operating expenses grew 6.3% y/y to SGD2.07bn given the surge in staff costs (+25.9% y/y to SGD745mn) from scaling up digital talent to support the growth of the business.
- Meanwhile, regional associates pre-tax contributions rose 21% y/y to SGD2.07bn mainly due to turnaround in Airtel (growing to SGD432mn in FY2022 from SGD23mn in FY2021). Meanwhile, the other associates pre-tax contribution are flattish or declined y/y, such as Intouch (+1.2% y/y to SGD95mn), Telkomsel (same y/y at SGD915mn), AIS (-5.9% y/y to SGD314mn), Globe (-10.1% y/y to SGD311mn). For both AIS and Globe, pre-tax profit fell mainly due to higher amortization charges from capex or 5G spectrum.
- Looking ahead, SingTel is expected to benefit from recovery in international travel as borders reopen post-COVID. SingTel will also be focusing on growth in ICT and digital services, 5G as well as expansion of regional data center platform. SingTel guided that capex for the coming year will be around SGD2.6bn, of which AUD1.7bn is slated for Optus and SGD0.9bn for the rest of the company. This reflects growth investments in 5G networks, data centers and satellites, as well as digital transformation initiatives.

## Asian Credit Daily

### Credit Headlines

#### Singapore Telecommunications Ltd (“SingTel”) | Issuer Profile: Positive (2):

- We think the cash needs will be balanced by cash inflows. SingTel expects to identify opportunities to recycle up to SGD3bn in assets in the mid-term, which includes SingTel Comcentre redevelopment. Dividends from regional associates is expected to be ~SGD1.1bn. Meanwhile, Amobee is now classified as a subsidiary held for sale
- Reported net debt to EBITDA & associate PBT improved y/y to 1.7x (FY2021: 2.2x), with interest rate coverage at 14.8x (FY2021: 14.3x). Similarly reported net gearing ratio improved h/h to 26.4% (2H FY2021: 29.0%) which is boosted by cashflows from divestments, mainly due to SGD1.85bn from sale of 70% shares in ATN, SGD149mn from sale of 1.6% stake in Airtel Africa and SGD79mn from partial payment from sale of Trustwave’s payment card industry compliance business.
- In relation to the report from Economic Times of India that SingTel intends to sell a stake in Bharti Airtel worth up to USD2bn to Bharti Telecom, SingTel disclosed that it does not comment on market speculation but sees Airtel as a core investment. That said, SingTel reiterates that one of its focus is to narrow the valuation gap between SingTel shares and the value of the holdings in its associates. The steps that has been taken thus far included divestments such as 70%-stake in ATN, 1.6%-stake in Airtel Africa and working with Gulf in Thailand to enhance value in AIS. We continue holding SingTel at a Positive (2) Issuer Profile. (Company, OCBC)

## Key Market Movements

	27-May	1W chg (bps)	1M chg (bps)		27-May	1W chg	1M chg
iTraxx Asiax IG	118	-13	-5	<b>Brent Crude Spot (\$/bbl)</b>	117.31	4.23%	11.38%
iTraxx SovX APAC	33	-5	0	<b>Gold Spot (\$/oz)</b>	1,851.38	0.26%	-1.84%
iTraxx Japan	71	-4	6	<b>CRB</b>	318.66	1.57%	5.28%
iTraxx Australia	103	-5	4	<b>GSCI</b>	785.81	2.53%	5.90%
CDX NA IG	81	-10	-2	<b>VIX</b>	27.5	-6.30%	-17.96%
CDX NA HY	101	2	-1	<b>CT10 (%)</b>	2.758%	-2.34	-7.41
iTraxx Eur Main	89	-11	1				
iTraxx Eur XO	441	-45	27	<b>AUD/USD</b>	0.711	0.94%	-0.28%
iTraxx Eur Snr Fin	99	-12	1	<b>EUR/USD</b>	1.074	1.62%	1.69%
iTraxx Eur Sub Fin	187	-25	-1	<b>USD/SGD</b>	1.372	0.59%	0.65%
iTraxx Sovx WE	5	0	0	<b>AUD/SGD</b>	0.975	-0.41%	0.93%
<b>USD Swap Spread 10Y</b>	7	1	0	<b>ASX 200</b>	7,185	0.55%	-1.04%
<b>USD Swap Spread 30Y</b>	-22	5	-1	<b>DJIA</b>	32,637	4.43%	-1.81%
<b>US Libor-OIS Spread</b>	11	-3	-6	<b>SPX</b>	4,058	4.03%	-2.81%
<b>Euro Libor-OIS Spread</b>	14	0	9	<b>MSCI Asiax</b>	650	-1.95%	-1.90%
				<b>HSI</b>	20,116	-0.02%	0.85%
<b>China 5Y CDS</b>	71	-13	-9	<b>STI</b>	3,209	0.58%	-3.36%
<b>Malaysia 5Y CDS</b>	84	-16	-8	<b>KLCI</b>	1,541	-0.53%	-2.83%
<b>Indonesia 5Y CDS</b>	104	-23	-13	<b>JCI</b>	6,884	1.33%	-4.82%
<b>Thailand 5Y CDS</b>	49	-6	-1	<b>EU Stoxx 50</b>	3,740	2.74%	0.15%
<b>Australia 5Y CDS</b>	26	0	5				

Source: Bloomberg

## Asian Credit Daily

### New Issues

- Zhangzhou Transportation Development Group Co Ltd priced a USD500mn 3-year senior unsecured green bond at 4.98%, tightening from an IPT of 5.4% area.
- Export Import Bank of Thailand priced a USD350mn 5-year senior unsecured bond at T+120bps, tightening from an IPT of T+160bps area.
- Mudanjiang City Investment Group Co Ltd priced a USD100mn 3-year senior unsecured bond at 8%.

Date	Issuer	Size	Tenor	Pricing
26-May-22	Zhangzhou Transportation Development Group Co Ltd	USD500mn	3-year	4.98%
26-May-22	Export Import Bank of Thailand	USD350mn	5-year	T+120bps
26-May-22	Mudanjiang City Investment Group Co Ltd	USD100mn	3-year	8%

*Source: OCBC, Bloomberg*

### Temporary Suspension

- Do note that our official coverage on **City Developments Limited, OUE Commercial Trust, Westpac Banking Corporation and Wing Tai Holdings Ltd** are temporarily suspended due to OCBC's other business.

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