

## Issuer Profile: Temasek Holdings Pte Ltd (“THPL”)

Not rated

### Ticker:

TEMASE

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### Recent Issue

- THPL priced USD2.75bn across three-tranches yesterday, issuing USD750mn for the 10Y tranche (T+47.5bps), USD1bn for the 30.5Y tranche (T+90bps) and USD1bn for the 50Y tranche (T+110bps), tightening from CT10+75bps, OLB30 + 110bps and OLB30+135bps respectively. The orderbook was USD5.0bn (1.8x covered).
- International credit rating agencies have rated the deal at the highest credit rating.
- The 50Y tranche is THPL's longest issue; prior to the deal, TEMASE 4.2% '50s (SGD) was THPL's longest outstanding issuance. This is also the longest dated issue from a Singapore-based issuer.
- THPL's deal follows a series of ultra-long-dated bonds (and perpetuals) which priced recently, which include USD1.5bn ADGB 2.7% '70s (Abu Dhabi Government International Bond), USD1.5bn T '61s (AT&T Inc), USD1.5bn SCGAU 4.75% '80s and USD1.5bn SCGAU 5.125% '80s (Scentre Group), USD1.25bn CMCSA '62s (Comcast Corp).
- With interest rates falling to near historic low levels, we think this is an opportune time for THPL to be looking at raising long dated bonds, which will be deployed towards Temasek's investment holding companies. Several portfolio companies have announced and/or completed fundraising plans in recent months.

### Recommendation

- We do not find close comparables in the USD space as THPL is a unique issuer, being a 100% Singapore government-owned investment holding company. THPL should not be equated to the sovereign as it is neither a statutory board nor government agency. That said, THPL is designated as a Fifth Schedule entity under the constitution.
- Debt issued by THPL is not explicitly guaranteed by the government. THPL historically trades at a credit spread above risk free rates. While THPL has been rated with the highest credit rating, we think that the TEMASE curve in USD trades somewhat tight. THPL's one-year total shareholder return fell to -2.3% as of 31 Mar 2020.
- For the avoidance of doubt, THPL does not guarantee the obligations and debt issued by its portfolio companies, notwithstanding the additional investments it has made year to date. THPL has stated that it performs bottom-up intrinsic value tests for each opportunity to evaluate each investment opportunity on its own merits. Year to date, THPL has made new investments and has also extended sizeable additional investments to certain of its existing portfolio companies where it is a shareholder.
- We acknowledge that the collapse in interest rates globally has sparked off a hunt for yield. Pension funds, insurers and fund managers have anchored the longer part of the issuance (30.5Y, 50Y).
- For investors comfortable with exposure to SGD, we think TEMASE curve in SGD looks more attractive than USD, with the former offering significantly wider spreads.

### Relative Value:

Bond	Maturity date	Issuer Profile	Ask YTW	Spread	Recommendation
TEMASE 2.5% '70s	06/10/2070	Not rated	2.50%	108bps	Not rated
TEMASE 2.25% '51s	06/04/2051	Not rated	2.31%	89bps	Not rated
TEMASE 1.0% '30s	06/10/2030	Not rated	1.10%	45bps	Not rated
TEMASE 4.2% '50s (SGD)	02/08/2050	Not rated	2.81%	180bps	Not rated
TEMASE 4% '29s (SGD)	07/12/2029	Not rated	1.70%	95bps	Not rated
PSASP 2.25% '30s	30/04/2030	Not rated	1.60%	99bps	Not rated
ADGB 2.7% '70s	02/09/2070	Not rated	2.79%	137bps	Not rated
CMCSA 2.65% '62s	15/08/2062	Not rated	2.78%	136bps	Not rated
LTAZSP 3.38% '59s	03/01/2059	Not rated	2.14%	114bps	Not rated
LTAZSP 3.43% '53s	30/10/2053	Not rated	2.16%	116bps	Not rated
HDBSP 1.265% '30s	24/06/2030	Not rated	1.07%	28bps	Not rated

Indicative prices as at 30 September 2020 Source: Bloomberg

**Background**

- Established in 1974, Temasek Holdings Pte Ltd (“THPL”) is wholly owned by the Singapore Minister for Finance.
- THPL invests across a broad spectrum of industries – financial services, telecommunications, media and technology, consumer and real estate, transportation and industrials, life sciences and agribusiness as well as energy and resources. As at 31 March 2020, THPL has a portfolio value of SGD306bn (China 29%, Singapore 24%, North America 17%, and Europe 10%).
- In Singapore, THPL holds significant stakes in companies such as Singapore Airlines Ltd, DBS Group Holdings Ltd, Singapore Telecommunications Ltd, PSA International Pte Ltd, and CapitaLand Ltd.
- Not including the debt of consolidated portfolio companies, THPL had a total debt of SGD13.9bn as at 31 March 2020 against cash and cash equivalents and short-term investments of SGD47.1bn.
- In September 2020, Sembcorp Marine Ltd raised SGD600mn of new money from an equity rights issue and subsequently was spun-off from Sembcorp Industries Ltd. Temasek emerged as the largest shareholder of SMM holding a 43%-stake.
- On 2 June 2020, Singapore Airlines Ltd (“SIA”) completed a rights issue which includes SGD5.3bn of rights shares and SGD3.5bn of rights mandatory convertible bonds (“MCB”, with conversion option held by SIA) for a total of SGD8.8bn. Temasek undertook to subscribe for its pro-rata share and take up unsubscribed portions.
- SGD2.9bn of the rights shares was subscribed by Temasek, representing its proportionate equity stake while it subscribed ~SGD3.3bn of the rights MCBs, above its proportionate stake pursuant to the undertaking. Net-net, 70% of the rights issue was taken up by Temasek. We note that SIA has obtained shareholder approval to issue a further SGD6.2bn in MCBs at substantially the same terms within 15 months from 30 April 2020. In our view, this means that the additional MCBs would be effectively “underwritten” by Temasek as well, if these were issued.

**Recent Write-ups on comparable issuers from OCBC Credit Research**

- [Housing & Development Board – Special Interest Commentary](#)
- [PSA International Pte Ltd](#)

### 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 bond represents **better relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

**Neutral (“N”)** – The represents **fair relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

**Underweight (“UW”)** – The represents **weaker relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

### 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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#### Analyst Declaration

The analyst(s) who wrote this report and/or her or his respective connected persons did not hold financial interests in the above-mentioned issuer or company as at the time of the publication of this report.

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