

## Issuer Profile: CapitaLand Ltd (“CAPL”)

Neutral (3)

### Ticker:

CAPLSP

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### New Issue

- CAPL is pricing a **new 12Y issue with IPG at 3.125% area**. Use of proceeds includes refinancing, new investments and general corporate purposes.
- Aside from CAPLSP 3.65% PERP, this is the longest tenor for a CAPLSP bond. Excluding perpetuals, this is also amongst the longest-dated bond issue this year in the SGD space.
- Looking at CAPL’s past issuances in the SGD space, we believe that the issue size could be significant (~SGD500mn).

### Recommendation

- At the IPG, we think it looks interesting as **we estimate fair value around 2.9%** (~200bps I-spread). We derive this from the closest comparable, which is CAPLSP 3.15% ‘29s (trading at 191bps I-spread) and adding 10bps I-spread for ~3Y extension in maturity.
- We believe that the deal may see strong demand given the dearth of supply in the SGD space, which may pin spreads down. However, further upsides beyond our fair value estimates may be limited given that:
  - CAPITA 3.35% ‘31s is trading at 2.88%. We rate CapitaLand Mall Trust at a stronger Issuer Profile of Positive (2).
  - MAPLSP 3.15% ‘31s is trading at 2.72%. We note that much of MAPLSP curve trades wider than the CAPLSP curve.
  - CAPL reported a poor set of results in 1H2020, which saw reported EBIT falling by 71% y/y. We are also cautious if CAPL undertakes significant acquisitions given the balance sheet headroom.

### Relative Value:

Bond	Outstanding Amount	Maturity / Next Call	Issuer Profile	Ask Yield	Spread
CAPLSP 3.8% ‘24	SGD500mn	28/08/2024	Neutral (3)	2.05%	163bps
CAPLSP 3.08% ‘27	SGD500mn	19/10/2027	Neutral (3)	2.46%	178bps
CAPLSP 3.15% ‘29	SGD800mn	29/08/2029	Neutral (3)	2.71%	191bps
CAPLSP 3.65% PERP	SGD500mn	17/10/2024	Neutral (3)	3.05%	262bps
CAPITA 3.35% ‘31	SGD150mn	07/07/2031	Positive (2)	2.88%	199bps
MAPLSP 3.15% ‘31	SGD300mn	03/09/2031	Unrated	2.72%	181bps
MAPLSP 3.58% ‘29	SGD250mn	13/03/2029	Unrated	2.62%	185bps
MINTSP 3.58% ‘29	SGD125mn	26/03/2029	Neutral (3)	2.62%	186bps
MCTSP 3.05% ‘29	SGD250mn	22/11/2029	Neutral (3)	2.65%	185bps
MRCOOP 3.08% ‘30	SGD100mn	23/01/2030	Unrated	2.96%	214bps
SPHSP 3.2% ‘30	SGD500mn	22/01/2030	Unrated	3.39%	257bps

Indicative prices as at 14 Sep 2020 Source: Bloomberg

### Recent Reports on CAPL from OCBC Credit Research

- [Asian Credit Daily \(7 Aug 2020\)](#)
- [Singapore Mid-Year Outlook 2020](#)

### 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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#### 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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