

Asian Credit Daily

1 October 2024

Market Commentary:

- The SGD SORA OIS curve traded mostly lower yesterday, with shorter tenors trading 1-3bps lower, belly tenors trading 2bps lower and 10Y trading ~1bps higher.
- Flows in SGD corporates were heavy, with flows in HSBC 5.25%-PERP, STANLN 5.3%-PERP, CKPH 3.38%-PERP, OUECT 3.9% '31s, STSP 3.3%-PERP, MAPLSP 3.7%-PERP, INCINS 3.1% '50s.
- September ended as the second busiest issuance month for 2024 in Asiadollar while globally there was over USD600bn in bonds and loans issued, the highest September debt issuance on record according to Bloomberg.
- According to a company filing on Monday, Logan Group Co Ltd ("Logan") has enlisted White & Case as its legal advisor for the restructuring of its offshore debt. Logan also stated that holders representing 92% of the total outstanding principal of existing notes had joined a creditor support agreement between the company and an ad hoc group of creditors with the longstop date of the credit support agreement extended to 11 November.
- Finally, per data from China Real Estate Information Corp, China's top 100 developers reported combined contract sales down 37.7% y/y in September although was up 0.2% m/m.
- Bloomberg Asia USD Investment Grade spreads tightened by 2bps to 85bps while Bloomberg Asia USD High Yield spreads tightened by 23bps to 504bps. (Bloomberg, OCBC)
- There was no notable issuance in the Asiadollar and Singdollar market yesterday.

Credit Summary:

- **Industry Outlook – Singapore Property:** According to URA flash estimates, private housing prices fell 1.1% q/q in 3Q2024 (2Q2024: +0.9% q/q).
- **CapitaLand Ascott Trust ("ART"):** ART is acquiring lyf Funan Singapore at an agreed property value of SGD263mn from Ascott Serviced Residence Global Fund ("ASRGF").
- **Keppel Ltd ("KEP"):** (1) KEP is divesting 70% stake in Saigon Sports City Ltd worth up to SGD391.1mn ("Divestment of Saigon Sports City Ltd"), (2) Toshin Development Co Ltd is subscribing for stakes in a KEP entity which holds equity interest to land use rights in respect to Saigon Centre Phase 3 ("Toshin subscription") and (3) KEP was awarded a 20Y Centralised Cooling Systems contract by Housing & Development Board ("HDB CCS Contract").
- **Mapletree Industrial Trust ("MINT"):** MINT has entered a conditional purchase and sale agreement with Nagayama Tokutei Mokuteki Kaisha, an unrelated third-party vendor to acquire a mixed use facility located in Tokyo, Japan for JPY14.5bn (~SGD129.8mn).
- **Olam Group Ltd ("OG"):** Louis Dreyfus Company ("LDC") has reportedly increased its ownership of Namoi Cotton Limited ("Namoi") to 47.66% and raised its offer price to AUD0.77 per cash share.
- **Qantas Airways Ltd ("Qantas"):** Per Virgin Australia's ("VA") announcement, Qatar Airways Group ("QA") is seeking to buy a 25% stake in VA for an undisclosed value from Bain Capital, which is one of the largest private investment firms.

Credit Headlines:

Industry Outlook – Singapore Property

- **Private housing prices fell 1.1% q/q, mainly due to landed and CCR:** According to URA flash estimates, private housing prices fell 1.1% q/q in 3Q2024 (2Q2024: +0.9% q/q). The decline is mainly due to landed property which fell 3.8% q/q (2Q2024: +1.9% q/q). Within non-landed property, Core Central Region (“CCR”) was the largest decliner at -1.5% q/q (2Q2024: -0.3% q/q) while Outside Central Region (“OCR”) inched down 0.1% q/q (2Q2024: +0.2% q/q). Rest of Central Region (“RCR”) prices rose 0.2% q/q in 3Q2024 (2Q2024: +1.6% q/q). Private housing prices has risen 1.1% YTD2024 (up till mid-September 2024).
- **HDB resale prices rose 2.5% q/q:** According to HDB flash estimates, HDB resale prices rose 2.5% q/q (2Q2024: +2.3% q/q).
- **A tale of two cities:** While higher end housing market (e.g. landed, CCR) have performed less well, prices in RCR and OCR have been stable while the increase in HDB resale prices have accelerated. We believe that stronger HDB resale prices will provide a boost to upgraders, which in turn may support demand for the private housing market. We reiterate our view for Singapore residential property prices to rise 3-5% in 2024. (URA, HDB, OCBC)

CapitaLand Ascott Trust (“ART”)

- **Acquiring lyf Funan Singapore for SGD263mn:** ART is acquiring lyf Funan Singapore at an agreed property value of SGD263mn from Ascott Serviced Residence Global Fund (“ASRGF”).
- **Aggregate leverage to rise to 39.1%, funded by divestment proceeds and borrowings:** The acquisition outlay will be financed with ~SGD142.8mn from the divestment proceeds of Citadines Mount Sophia Singapore which was completed in March 2024 and SGD119.7mn from debt financing. ART’s aggregate leverage (end-1H2024: 37.2%) is expected to reach 39.1% following the acquisition.
- **Acquisition as part of capital recycling into higher yielding assets:** Citadines Mount Sophia Singapore was divested at an exit EBITDA yield of about 3.2% while the entry EBITDA yield for lyf Funan Singapore is 4.7%. ART expects growth in demand in Singapore hospitality market to outpace supply over the medium term. Acquisition will grow exposure in SG from 16% by total assets to 19%.
- **Decent portfolio statistics, helps ART’s sustainability target:** 329-room Lyf Funan Singapore, which was built in 2019, achieved an average occupancy rate of more than 80%. Lyf Funan Singapore has a Green Mark GoldPlus certification from Singapore’s Building and Construction Authority, contributing to ART’s sustainability target to green 100% of its portfolio by 2030.
- **Favourable positioning of lyf:** lyf Funan Singapore is the flagship property of The Ascott Limited’s lyf (or ‘live your freedom’) brand. Other lyf-branded properties, such as lyf one-north which opened in 2022, is also seeing robust demand with a similar average occupancy rate. Lyf is designed to cater to the rising demand for experience-led social living, tailored for the next-generation traveller connecting guests with the city, its people and its culture. The property features room types suitable for solo or duo travellers to larger apartments accommodating up to nine guests, suitable for corporate project groups or larger families. Corporate bookings make up about 15% of the total reservations for the four and six-bedroom apartments.
- **Entering into master lease with The Ascott Ltd (“Ascott”):** Upon acquisition, ART will enter into a 20Y master lease with Ascott for lyf Funan Singapore. Rent payable by the Master Lessee will be 93.5% of the gross operating profit of the property (0 if gross operating profit is zero).
- **Deal subject to unitholders’ approval:** Acquisition is subject to approval from unitholders at an Extraordinary General Meeting scheduled in November 2024, with the transaction targeted to be completed in 4Q2024. Agreed property value of SGD263mn is at a discount relative to two independent valuers who valued the property at SGD265mn (SG&R Singapore Pte Ltd) and SGD271mn (Colliers International Consultancy & Valuation Singapore Pte Ltd). (Company, OCBC)

Keppel Ltd (“KEP”)

- **3 headlines in one day:** (1) KEP is divesting 70% stake in Saigon Sports City Ltd worth up to SGD391.1mn (“Divestment of Saigon Sports City Ltd”), (2) Toshin Development Co Ltd subscribing for stakes in a KEP entity which holds equity interest to land use rights in respect to Saigon Centre Phase 3 (“Toshin subscription” and (3) KEP is awarded a 20Y Centralised Cooling Systems contract by Housing & Development Board (“HDB CCS Contract”).

Divestment of Saigon Sports City Ltd

- **Divesting 35% stake to Dai Phuoc and another 35% stake to Vinobly:** KEP is divesting 35% of the charter capital of Saigon Sports City Ltd (“SSCL”) to HTV Dai Phuoc Company Limited (“Dai Phuoc”) and 35% of the charter capital of SSCL to Vinobly Investment Real Estate Joint Stock Company. KEP’s subsidiary Jency holds the remaining 30% of the charter capital of SSCL.
- **Up to SGD391.1mn cash consideration to be received.** Dai Phuoc will pay Jency VND320mn (~SGD16.8mn) for the initial 5% tranche and between VND2,879.3bn (~SGD151.2mn) and VND3,290.6bn (~SGD172.8mn) in the second 30% tranche, depending on conditions fulfilled, subject to completion adjustments. Vinobly will pay Jency between VND3,359.2bn (~SGD176.4mn) and VND3,839.0bn (~SGD201.5mn) depending on conditions fulfilled, subject to completion adjustments.
- **SSCL holds the right to develop:** SSCL holds the right to develop ~64 hectares land plot in Ho Chi Minh City, Vietnam.

Toshin subscription

- **Subscription of shares worth USD46.6mn by Toshin in KEP’s subsidiary:** KEP announced that Toshin Development Co Ltd (“Toshin”) has subscribed for 46,364,475 shares in one of Keppel’s subsidiary Himawari VN3C Pte Ltd (“Himawari”) while Keppel holds the remaining 46,550,305 shares. Toshin will pay a cash consideration of USD46.4mn (~SGD62.2mn) for the subscription of new shares, to be paid in seven tranches.
- **KEP’s subsidiary indirectly holds equity interest in land use rights of Saigon Centre Phase 3:** Himawari holds Class C preference shares in each of Keppel Land (Saigon Centre) Limited and Krystal Investments Pte Ltd, which in turn holds 68% and 16% respectively in each of Keppel Land Watco-IV Co Ltd (“KLW IV”) and Keppel Land Watco-V Co Ltd (“KLW V”). Both KLW IV and KLW V together hold the land use rights in respect of Saigon Centre Phase 3.

HDB CCS Contract

- **Build and operate cooling systems to serve 3,500 HDB households for 20Y:** Housing & Development Board (“HDB”) has awarded KEP’s infrastructure division the chilled water supply contract to design, build, own and operate Centralised Cooling Systems (“CCS”) at three upcoming Build-to-Order projects (Brickland Weave, Plantation Edge I & II and Plantation Verge in Tengah). This contract is for 20Y, which will serve ~3,500 households.
- **Cooling systems is relatively energy efficient:** HDB homebuyers in Tengah will have the option of subscribing to the CCS, which offers a more energy-efficient cooling solution compared to conventional air-conditional systems. With the CCS, chilled water will be piped to homes from centralised chillers installed on the rooftops of selected HDB blocks, to cool the flats.
- **More cooling projects for the future?** According to HDB, it is “glad to have Keppel as a CCS service provider for future BTO projects.” (Company, OCBC)

Mapletree Industrial Trust (“MINT”)

- MINT has entered a conditional purchase and sale agreement with Nagayama Tokutei Mokuteki Kaisha, an unrelated third-party vendor to **acquire a mixed-use facility located in Tokyo, Japan for JPY14.5bn** (~SGD129.8mn). The agreed property value represents a 3.3% discount to independent valuation.
- MIT will be acquiring 98.47% effective interest of the property while the remaining 1.53% will be acquired by Mapletree Investment Pte Ltd, the sponsor of MINT.
- The property is a multi-storey building and was constructed in October 1992. It is sited on approximately 91,200 sqf of land, with a gross floor area of approximately 319,300 sqf. The property comprises a mixed-use facility including data centre, back office, training facilities and an adjacent accommodation wing with a good

potential to be redeveloped into a multi-storey data centre. **The property is fully leased to an established Japanese conglomerate with a weighted average lease to expiry of approximately five years.**

- Post acquisition, MIT's pro forma aggregate leverage ratio is expected to increase from 39.1% as at 30 Jun 2024 to 39.8%. (Company, OCBC)

Olam Group Ltd ("OG")

- Louis Dreyfus Company ("LDC") has reportedly increased its ownership of Namoi Cotton Limited ("Namoi") to 47.66% and raised its offer price to AUD0.77 per cash share. The offer will close on 9 October.
- LDC's higher offer is now above Olam Agri Holdings Limited's ("Olam Agri", ~64.6%-owned subsidiary by OG) AUD0.75 per cash share offer under its own proposed acquisition of Namoi.
- This likely continues to place LDC in the best position to complete a takeover of Namoi with the Australian Competition & Consumer Commission ("ACCC") still seeking views on a proposed court-enforceable divestiture undertaking offered by Olam Agri in relation to its offer for Namoi.
- As mentioned previously, the ACCC is continuing to closely investigate the impact of the proposed acquisition on the increased risk of coordination in cotton lint marketing, cotton warehousing and some regional ginning markets. ACCC is concerned for the increased risk of tacit or explicit coordination due to the multiple linkages between Olam Agri and LDC. (ACCC, Bloomberg, Ragtrader, OCBC)

Qantas Airways Ltd ("Qantas")

- Per Virgin Australia's ("VA") announcement, Qatar Airways Group ("QA") is seeking to buy a 25% stake in VA for an undisclosed value from Bain Capital, which is one of the largest private investment firms.
- The deal is subject to regulatory approval, including from Australia's Foreign Investment Review Board ("FIRB") and Australian Competition and Consumer Commission ("ACCC").
- Per VA, the deal will likely "ensure Australian consumers have access to even better value airfares and greater choice".
- Per Reuters, Bain Capital bought VA for AUD3.5bn after the airline entered voluntary administration in 2020.
- Per ACCC, Qantas (including both Jetstar and Qantas) dominated 61.8% of Australia's domestic air passenger market share in March 2024, followed by VA (31.3%).
- The move is likely to shake up Australia's market that is dominated by Qantas given that Qatar Airways was ranked the World's Best Airline at the 2024 World Airline Awards. (Company, Bloomberg, ACCC, Reuters, OCBC)

Mandates:

- Goodman US Finance Six LLC (Guarantors: Goodman Ltd, Goodman Funds Management Ltd and Goodman Logistics HK Ltd) is planning to issue a USD 10Y Fixed senior unsecured issue.
- The Export-Import Bank of Korea is planning to issue senior unsecured notes with expected tenor of 3Y.

Key Market Movements

	1-Oct	1W chg (bps)	1M chg (bps)		1-Oct	1W chg	1M chg
iTraxx Asiax IG	69	-1	-25	Brent Crude Spot (\$/bbl)	71.8	-4.5%	-8.9%
				Gold Spot (\$/oz)	2,644	-0.5%	5.8%
iTraxx Japan	52	0	2	CRB Commodity Index	285	0.3%	2.9%
iTraxx Australia	63	-1	2	S&P Commodity Index - GSCI	533	-1.5%	-0.7%
CDX NA IG	53	0	3	VIX	16.7	5.3%	11.5%
CDX NA HY	107	0	0	US10Y Yield	3.78%	6bp	-12bp
iTraxx Eur Main	59	0	6				
iTraxx Eur XO	311	-3	22	AUD/USD	0.693	0.5%	2.0%
iTraxx Eur Snr Fin	67	0	7	EUR/USD	1.114	-0.3%	0.6%
iTraxx Eur Sub Fin	121	-1	13	USD/SGD	1.286	-0.2%	1.6%
				AUD/SGD	0.891	-0.7%	-0.4%
USD Swap Spread 10Y	-47	-1	0	ASX200	8,196	0.7%	1.3%
USD Swap Spread 30Y	-82	0	0	DJIA	42,330	0.5%	1.8%
				SPX	5,762	0.8%	2.0%
China 5Y CDS	60	-1	2	MSCI Asiax	762	4.6%	8.2%
Malaysia 5Y CDS	38	0	0	HSI	21,134	15.8%	17.5%
Indonesia 5Y CDS	69	-1	1	STI	3,583	-1.1%	4.1%
Thailand 5Y CDS	35	-1	-1	KLCI	1,649	-1.3%	-1.8%
Australia 5Y CDS	12	0	1	JCI	7,582	-2.5%	-1.2%
				EU Stoxx 50	5,000	2.4%	0.9%

Source: Bloomberg

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