

Asian Credit Daily

5 February 2024

Market Commentary:

- The SGD SORA curve traded lower last Friday, with short tenors trading 0-1bps lower, belly tenors trading 2-3bps lower, and the 10Y trading 3bps lower.
- Flows in SGD corporates were heavy, with flows in STTGDC 5.7%-PERP, BNP 5.9%-PERP.
- According to Bloomberg, Country Garden Holdings Co. has more than 30 of its projects listed by Chinese local governments as suitable for financing support. They are among at least four other builders that have disclosed projects that would receive local government support for financing. Shimao Group Holdings Ltd. has 16 of its projects entering the whitelists and Jinke Properties Group Co. has more than 20 eligible for funding. China Aoyuan Group Ltd. last week said at least four of its projects made the lists. Sino-Ocean Group Holding Ltd. also has about 20 whitelisted projects. In a bid to boost bank lending for real estate to slow the sector's slump, China last month declared that housing projects listed as eligible for funding would be able to obtain financing immediately.
- Last Friday, Bloomberg Asia USD Investment Grade spreads tightened by 4bps to 101bps while the Asia USD High Yield spreads tightened by 21bps to 665bps, per Bloomberg.
- There were no notable bond issuances in the Asiadollar and the Singdollar market last Friday.

Credit Summary:

- **Suntec Real Estate Investment Trust ("SUN"):** SUN announced that HSBC Institutional Trust Services (Singapore) Limited, in its capacity as SUN's trustee has entered into a SGD950mn sustainability-linked loan ("SLL") facility with various banks to refinance part of its outstanding borrowings and/or for general working capital purposes.
- **Keppel Infrastructure Trust ("KIT"):** KIT is proposing to buy a ~98.6% interest (subject to completion adjustments) in Ventura Motors Pty Ltd ("Ventura"), the largest bus service business in Australia's State of Victoria.

Key Market Movements

	5-Feb	1W chg (bps)	1M chg (bps)		5-Feb	1W chg	1M chg
iTraxx Asiax IG	100	-2	-2	Brent Crude Spot (\$/bbl)	77.4	-6.0%	-1.7%
				Gold Spot (\$/oz)	2,037	0.2%	-0.4%
iTraxx Japan	57	1	-5	CRB Commodity Index	268	-2.1%	0.7%
iTraxx Australia	69	0	-6	S&P Commodity Index - GSCI	540	-3.8%	-0.3%
CDX NA IG	55	1	-5	VIX	13.9	4.4%	3.7%
CDX NA HY	106	0	1	US10Y Yield	4.07%	-1bp	2bp
iTraxx Eur Main	59	0	-5				
iTraxx Eur XO	323	4	-16	AUD/USD	0.650	-1.7%	-3.2%
iTraxx Eur Snr Fin	69	2	-4	EUR/USD	1.078	-0.5%	-1.5%
iTraxx Eur Sub Fin	129	3	-5	USD/SGD	1.344	-0.3%	-1.1%
				AUD/SGD	0.874	1.4%	2.1%
USD Swap Spread 10Y	-36	0	4	ASX200	7,627	0.6%	1.8%
USD Swap Spread 30Y	-70	0	0	DJIA	38,654	1.4%	3.2%
				SPX	4,959	1.4%	5.6%
China 5Y CDS	64	-1	-1	MSCI Asiax	615	-0.3%	-1.6%
Malaysia 5Y CDS	44	-2	-2	HSI	15,377	-4.4%	-7.0%
Indonesia 5Y CDS	74	-3	-3	STI	3,138	-0.1%	-1.4%
Thailand 5Y CDS	41	-1	-3	KLCI	1,516	0.6%	1.9%
Australia 5Y CDS	17	0	0	JCI	7,239	1.4%	-1.5%
				EU Stoxx 50	4,655	0.4%	4.3%

Source: Bloomberg

Credit Headlines:**Suntec Real Estate Investment Trust (“SUN”)**

- SUN announced that HSBC Institutional Trust Services (Singapore) Limited, in its capacity as SUN’s trustee has entered into a SGD950mn sustainability-linked loan (“SLL”) facility with various banks to refinance part of its outstanding borrowings and/or for general working capital purposes.
- SUN is a significant borrower in the green loan and SLL market. As at 31 December 2023, SUN has ~SGD2.1bn of such loans, representing ~49% of its total debt outstanding. (Company, OCBC).

Keppel Infrastructure Trust (“KIT”)

- KIT is proposing to buy a ~98.6% interest (subject to completion adjustments) in Ventura Motors Pty Ltd (“Ventura”), the largest bus service business in Australia’s State of Victoria.
 - The enterprise value of the transaction is ~AUD600mn (~SGD540mn) while the purchase consideration is ~AUD328.2mn (~SGD295.3mn). Including other amounts payable, fees and expenses, the total acquisition costs is estimated at SGD570.6mn. This includes existing debt at Ventura which will be paid down at completion, though excludes earn out payments that may kick in subject to certain targets being met.
 - Headquartered in Melbourne, Australia, Ventura operates a bus and charter coach service business with a fleet of 912 busses, operating 532 routes out of Melbourne’s ~1,200 routes.
 - Per KIT, more than 80% of Ventura’s revenue are derived from long-term government route services which does not fluctuate with the volume of passengers or fares collected. These revenues are stable, with a fixed margin in addition to cost recovery where contact payments are indexed to relevant inflation indices. Ventura also receives incentive payments for meeting key performance indicators.
 - Aside from the government, Venture also provides services to schools, for tourism purposes and general carter.
 - The proposed funding will be a combination of internal resources, debt and equity. KIT’s Trustee-Manager intends to undertake an equity fund raising of new units in KIT to help fund the acquisition.
 - The transaction is subject to approvals by the Australian Foreign Investment Review Board and the Victorian Government and targeted to complete in 2Q2024.
 - Per KIT, Ventura’s normalised EBITDA based on unaudited management accounts for the year ended 30 June 2023 (“FY2023”) was AUD76mn (~SGD66.4mn).
 - Funds from operations (“FFO”) which KIT defines as profit after tax adjusted for reduction in concession or lease receivables, transaction costs, non-cash interest and current cash tax, maintenance capital expenditure, non-cash adjustments and non-controlling interest adjustments attributable to Ventura is ~AUD29.2mn (~SGD26.3mn). In contrast, FFO for KIT was ~SGD255.7mn for the financial year ended 31 December 2023. The transaction size is also relatively sizeable versus market value of equity at SGD2.9bn as at 5 February 2024.
- The Australian Financial Review (“AFR”) reported that as part of the sale process, the sellers’ financial advisers had highlighted the transaction as a way for buyers to gain a foothold in Australian bus and light rail sector. The AFR added that the owners of a separate major bus operator has appointed financial advisers to run a strategic review of the company. (Company, AFR, OCBC)

Mandates:

- There are no Asiadollar mandates for today.
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