Asian Credit Daily

10 May 2024

Market Commentary:

- The SGD SORA curve traded higher yesterday, with short tenors trading 1-3bps higher, belly tenors trading 3-4bps higher and 10Y trading 4bps higher.
- Flows in SGD corporates were moderate, with flows in STTGDC 5.7%-PERP, HSBC 4.75% '34s.
- According to insiders, Chinese developer Country Garden Holdings Co. ("COGARD") is reaching out to a state-supported program that guarantees developer bonds to cover interest payments that COGARD cannot make. The financially strained developer is in discussions with China Bond Insurance Co., which provides guarantees for two notes with upcoming coupon payments. These payments are part of a larger program introduced by authorities in 2022 to assist private developers in alleviating liquidity challenges. The total amount for the two coupon payments is RMB65.95mn (USD9.1mn), and they were scheduled to be paid on May 9 and there is reportedly a 5-day grace period before a default can be called.
- Bloomberg Asia USD Investment Grade spreads widened by 1bps to 81bps while Asia USD High Yield spreads widened by 6bps to 563bps. (Bloomberg, OCBC)

Credit Summary:

- **Fraser and Neave Ltd ("FNN"):** FNN reported 1HFY2024 results. Overall, results are very strong with reported PBIT up 53.6% y/y while credit metrics remain healthy.
- **Singapore Post Ltd ("SingPost"):** SingPost released FY2024 results ended 31 March 2024. Overall results are largely satisfactory excluding the impacts of freight forwarding and forex. Improvements were seen across most business segments though credit metrics weakened somewhat amidst inorganic expansion in Australia.

Key Market Movements

	10-May	1W chg (bps)	1M chg (bps)		10-May	1W chg	1M chg
iTraxx Asiax IG	103	0	-1	**Brent Crude Spot ($/bbl)**	84.4	1.7%	-6.8%
				Gold Spot ($/oz)	2,353	2.2%	0.8%
iTraxx Japan	52	-1	5	**CRB Commodity Index**	290	1.8%	-2.6%
iTraxx Australia	67	-2	3	**S&P Commodity Index - GSCI**	579	1.0%	-3.2%
CDX NA IG	50	0	-3	**VIX**	12.7	-13.6%	-19.7%
CDX NA HY	107	0	0	**US10Y Yield**	4.46%	-5bp	-9bp
iTraxx Eur Main	53	-1	-3				
iTraxx Eur XO	300	-7	-7	**AUD/USD**	0.661	0.0%	1.5%
iTraxx Eur Snr Fin	60	-1	-3	**EUR/USD**	1.078	0.1%	0.3%
iTraxx Eur Sub Fin	109	-2	-3	**USD/SGD**	1.354	-0.3%	0.0%
				AUD/SGD	0.894	-0.2%	-1.4%
USD Swap Spread 10Y	-37	1	1	**ASX200**	7,763	1.8%	-1.1%
USD Swap Spread 30Y	-76	1	0	**DJIA**	39,388	3.0%	2.4%
				SPX	5,214	3.0%	1.0%
China 5Y CDS	65	1	-5	**MSCI Asiax**	674	0.1%	1.4%
Malaysia 5Y CDS	46	1	4	**HSI**	18,829	1.9%	9.9%
Indonesia 5Y CDS	73	1	-1	**STI**	3,292	0.0%	1.7%
Thailand 5Y CDS	44	1	0	**KLCI**	1,604	0.9%	3.2%
Australia 5Y CDS	14	1	-2	**JCI**	7,089	-2.0%	-2.7%
				EU Stoxx 50	5,054	3.3%	1.1%

Source: Bloomberg

Credit Headlines:

Fraser and Neave Ltd ("FNN")

- FNN reported 1HFY2024 results. **Overall, results are very strong with reported PBIT up 53.6% y/y while credit metrics remain healthy.**
- **Rise in reported PBIT due to rise in revenue from F&B segment while costs improved:** While revenue rose 2.5% y/y to SGD1.07bn (+6% y/y in constant currency), the rise in reported PBIT was higher at +53.6% y/y (+59% excluding effects from forex translation), mainly due to increased F&B sales (+4% y/y to SGD929.8mn, or +8% y/y excluding forex translation impact), effective cost reduction measures, and a more favourable commodity cost environment. More information below on each segment.
- **Beverages:** Revenue rose 5.7% y/y to SGD317.6mn (+10% in constant currency), reported PBIT rose 36.5% y/y to SGD25.1mn (+46% y/y in constant currency).
  - Revenue rose due to favourable sales mix and volume growth from successful execution of festive campaigns and earlier Hari Raya sell-in, though the increase was partly offset by unfavourable currency translation of SGD13.7mn. Revenue increased in Singapore (+3.4% y/y to SGD65.0mn), Malaysia (+3.8% y/y to SGD192.4mn) and Others (+12.6% y/y to SGD78.2mn).
  - Reported PBIT rose due to higher sales, improved profitability in soft drinks with improved cost efficiencies though partly offset by higher sugar prices and increased brand spending.
- **Dairies:** Revenue rose 3.4% y/y to SGD594.2mn (+7% in constant currency), reported PBIT rose 48.9% y/y to SGD129.1mn (+53% y/y in constant currency).
  - Revenue increase was mainly due to Dairies sales in Thailand (+4.7% y/y to SGD328.0mn) and Singapore (+12.8% y/y to SGD79.0mn), with Thailand export volume driven by Bear brand and domestic sales growth was backed by higher condensed milk sales, and Singapore sales driven by export sales to Myanmar and Indonesia markets.
  - Earnings growth due to all core markets in Malaysia, Singapore and Thailand. Aside from higher sales, the segment benefited from the favourable commodity cost environment and higher share of results from Vietnam Dairy Products Joint Stock Company ("Vinamilk").
- **Printing & Publishing:** Revenue fell 14% y/y to SGD96.5mn, due to reduced print orders due to slower sales in Singapore, Malaysia and export markets as a result of the Red Sea shipping crisis and closure of unprofitable business units. Reported PBIT losses narrowed to SGD5.3bn (1HFY2023: loss of SGD8.0mn) as a result of closure of the unprofitable business units and internationalization efforts while shifting the sales mix in favour of non-print products with higher margins.
- **Corporate developments**: FNN is investing in a New Dairy Manufacturing Facility in Cambodia, progressing on Integrated Dairy Farm Project:
  - Fraser & Neave Holdings Berhad ("F&NHB", 55.5%-owned subsidiary of FNN) secured a land lease in Cambodia for a new dairy manufacturing facility, to oversee the production, distribution, marketing and sales of F&N dairy products, with a focus on canned milk. Operations are targeted to commence in 1Q2026.
  - Separately, F&NHB remains on track to meet its first milk target in early 2025 for the integrated Dairy Farm project in Gemas, Negeri Sembilan. The project will include a corn farm as the main feedstock to the cattle, a dairy farm and a milk processing facility. The target will be to house 20,000 milking cows producing 200mn litres of fresh milk annually.
- **Credit metrics remain healthy:** Net gearing fell 1 ppts h/h to 21%, EBITDA/Interest improved y/y to 7.3x (1HFY2023: 5.6x) while net debt to EBITDA improved y/y to 2.4x (1HFY2023: 3.9x). Meanwhile, FNN remains cashflow generative, with SGD170.6mn cashflow generated from operations that more than covers interest expense (SGD20.7mn) and capex (SGD40.0mn) while cash of SGD473.3mn more than covers current borrowings of SGD260.0mn. (Company, OCBC)

Singapore Post Ltd ("SingPost")

- SingPost released FY2024 results ended 31 March 2024. **Overall results are largely satisfactory excluding the impacts of freight forwarding and forex. Improvements were seen across most business segments though credit metrics weakened somewhat amidst inorganic expansion in Australia.**
- **Results dragged by primarily by freight forwarding business and forex impacts:** FY2024 revenue fell 9.9% y/y to SGD1.69bn while operating profit fell 8.8% y/y to SGD84.9mn. Excluding forex impact (~SGD14mn) and Border Express's 1-month contribution (~SGD2.5mn), operating profit would increase by 3.4% y/y to SGD98.9mn.
    - **Revenue and operating profit of freight forwarding business declined by 37% y/y to SGD263.1mn and 48% y/y to SGD22.4mn respectively**. The steep decline in freight forwarding business is due mainly to rates and volumes normalisation after COVID era.
    - **Logistics excluding freight forwarding business's operating profit rose 9.0% y/y to SGD45mn**, underpinned by new customer acquisitions and volume growth in Australia despite challenging market conditions.
    - **Post and Parcels contributed operating profit of SGD7.5mn** (FY2023 operating losses: -SGD12.0mn) amidst better international business and domestic business. International business saw lower conveyance cost and operational synergy while domestic business benefited from higher eCommerce volume (+11% y/y) and postage uprate in October 2023.
    - **Property's operating profit rose 5.2% y/y to SGD42.2mn** amidst positive rental reversion at SingPost Centre, though occupancy declined modestly y/y to 96.2% as at 31 March 2024. (March 2023: 98.2%)
- **Weakened credit metrics driven by acquisitions:** Net adjusted debt (including SGD250mn perpetual) increased y/y to SGD751mn as at 31 March 2024 (March 2023: SGD460mn) due to acquisition of the remaining 12% interest in Freight Management Holdings (December 2023) and Border Express (March 2024). FY2024 adjusted interest coverage ratio (including perpetual distribution) weakened y/y to 4.0x from 5.8x. Meanwhile, adjusted debt (including perpetual) / EBITDA weakened to 7.4x y/y from 5.4x. (Company, OCBC)

New Issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
09 May	Golomt Bank JSC	Fixed	USD	300	3Y	12%	12.25%

Mandates:

- There are no Asiadollar mandates for today.

Macro Research

Selena Ling
Head of Strategy & Research
LingSSSelena@ocbc.com

Tommy Xie Dongming
Head of Greater China Research
XieD@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau
Cindyckeung@ocbcwh.com

Herbert Wong
Hong Kong & Macau
HerberthtWong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
LavanyaVenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
Ahmad.Enver@ocbc.com

Jonathan Ng
ASEAN Economist
JonathanNg4@ocbc.com

Ong Shu Yi
ESG Analyst
ShuyiOng1@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Rates Strategist
FrancesCheung@ocbc.com

Christopher Wong
FX Strategist
ChristopherWong@ocbc.com

Credit Research

Andrew Wong
Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
WongHongWei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
MengTeeChin@ocbc.com

Co.Reg.no.: 193200032W