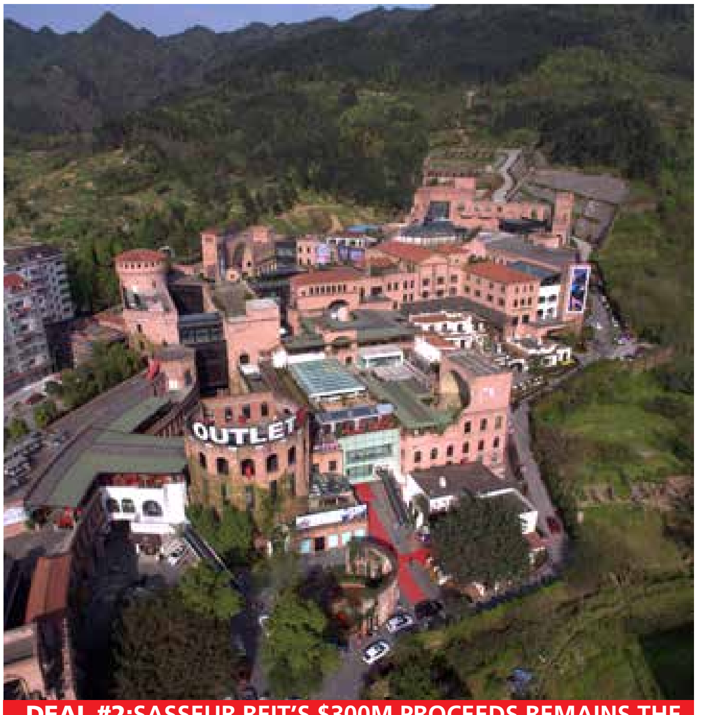
DEAL #1:THE LTA'S $1.5B 40-YEAR BOND AND $900M 30-YEAR BOND WERE AMONGST THE LONGEST-DATED MEGA-SIZED DEALS IN THE SINGAPORE'S DCM SCENE



DEAL #2:SASSEUR REIT'S $300M PROCEEDS REMAINS THE BIGGEST EQUITY OFFERING AND THE ONLY REIT LISTING IN THE SGX SO FAR THIS YEAR.

Singapore's equity offerings up at US$3.8b; bond markets down at US$12.3b

Real estate remains the key driver of Singapore's equity and debt capital market, but industry experts and observers are seeing the emergence of two new stars: healthcare and technology.

Singapore's equity capital market (ECM) has been abuzz with activity with companies raising US$3.8b in Q3 2018, according to Thomson Reuters. The expansion in proceeds represents double-digit growth of 10.4% that are also the highest since 2016. This could be attributed to a robust quarterly ECM performance in Q2 which hauled US$2.34b but lost some of its momentum in the coming quarter.

"During the third quarter of 2018, Singapore ECM activity declined as proceeds reached US$533.4m, a 77.2% sequential decrease from a strong second quarter in 2018 (US$2.34b), and down 77.0% in proceeds compared to third quarter of 2017 (US$2.32b)," observed Thomson Reuters. In terms of issuances, the number of issuances rose 33.3% YOY to 52 in the first nine months of the year.

"The larger equity deals this year have been mainly by the real estate investment trusts such as Mapletree Logistics Trusts and Manulife US REIT, reflecting that investors in the equity capital market remain yield driven," said **Edmund Leong**, head of group investment banking at United Overseas Bank (UOB), although he noted that recent global developments in trade have led to challenging market conditions and continued concerns around emerging markets. "This contributed to the subdued post-listing performance for new IPOs this year, with only two out of 11 trading above their IPO price."

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In a breakdown, follow-on offerings accounted for the lion's share of ECM proceeds (63%). This was followed by convertibles which managed to snap up 19.4% market share thanks to Sea Ltd' US$500m proceeds from a five-year convertible bond in June which has snagged the title as the largest equity offering so far in 2018.

DBS Group leads the ranking for Singapore ECM underwriting with US$931.4m in related proceeds, capturing almost a fourth (24.5%) of the market share. Goldman Sachs follows behind in second place with 16.1% market share and Citi with 12.5%.

Meanwhile, Singapore's bond issuance in Q3 2018 saw a decline, with primary bond offerings from Singapore-domiciled issuers reaching US$12.3b down by 7.1%, according to data from Thomson Reuters. Total bond proceeds by the end of the third quarter of 2018, saw a massive 73% rebound at S$8.8b from the dismal show in the April-to-June quarter at S$2.2b. In September alone, S$3.7b in deals were recorded, mainly from banks and government offices such as the Housing Development Board and the Land Transportation Authority. Bank perpetuals made a comeback in Q3. OCBC, DBS and HSBC issued perpetuals which were lapped up by investors. Investment-grade bond offerings from Singaporean companies, on the other hand, slowed down, raising $9.5b, which is a 21.3% decrease in proceeds and a 43.7% decline in the number of investment-grade bond issuance.

In terms of sectors, financials have captured 73% of the share of Singapore's bond market and raised $10.5b, which is an 18.1% increase in proceeds compared to the same period last year. The same sector also got 72.7% of the share in total bond proceeds issued by Singaporean borrowers.

Luke Pais, partner for EY Singapore and ASEAN M&A leader for Ernst & Young Solutions LLP, noted that both debt and equity markets in the city-state have so far been stable for the first half of 2018, but prospect for the rest of the year for both markets will be mixed.

"There is speculation that the large number of debt issues was driven by issuers' desire to lock in interest rates in expectation of higher rates in the future. There may be some upside risks to this view as central banks continue to manage interest rate normalisation carefully."

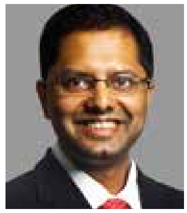
Notable deals

For Singapore's equity capital markets, both the recent performance and the pipeline of projects for the rest of the year remain robust. **Kuldeep Singh,** Citi's head of markets and securities services for ASEAN, said that given the right market conditions, equities in Singapore could close the year at a much stronger stance compared to last year.

"Despite market uncertainty this year leading to a couple of postponed offerings in the first half, the second half pipeline is robust, which suggests that 2018 could still close at or higher than 2017 levels in terms of total Singapore equity capital market volumes, subject to market conditions," he explained.

Earlier in 2018, Bangladesh firm Summit Power International Ltd. told investors it's shelving a share sale that was targeting US$260m. This came less than two weeks after Bloomberg News reported Malaysian clinic operator Qualitas Medical Ltd. delayed the pricing of its $100m IPO.

The first half year, the Citi official added, also ushered healthy follow-on issuance volumes, particularly in the real estate investment trust (REIT) space, with no less than nine transactions successfully priced. "Liquidity and investor appetite for well understood yield products remain strong amidst the rising interest rate and policy cycle," he said.


Luke Pais

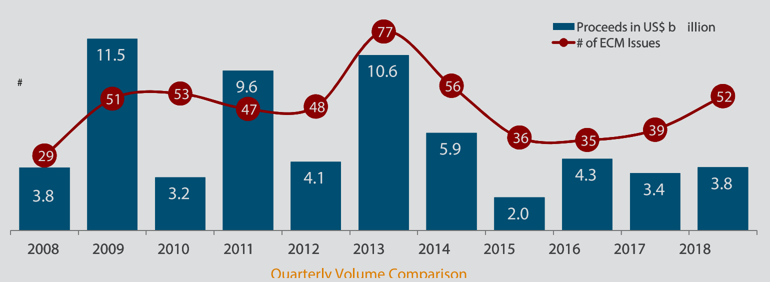

Kuldeep Singh


Tay Hwee Ling


Edmund Leong


Raymond Tong

Singapore equity capital markets - first half volume c omparison



Source: http://dmi.thomsonreuters.com

Meanwhile, some of the notable deals for equity capital markets in Singapore, according to data from Thomson Reuters, include the $355.9m raised as a follow-on issue type by Fraser Logistics & Industrial Trust from its preferential offering in June this year, which is currently the biggest Singapore equity offering in 2018. The over $300m proceeds raised by Sasseur REIT, a real estate investment trust that offers exposure to Chinese outlet malls and a new asset class to investors in Singapore, remains the biggest equity offering and the only REIT listing in the SGX so far this year. **Tay Hwee Ling,** global IFRS & offerings services leader at Deloitte Singapore, also noted Koufu Group Limited's listing on July this year, which raised about $74m, taking the spot for the highest funds raised by a company IPO on the SGX this year.

Other notable deals, which are all follow-on issue types and under the real estate sector, according to data from Thomson Reuters, include the $248.8m proceeds from Mapletree Greater China Commercial Trust Management in April; the $226.9m proceeds from Keppel DC Reit Management in May; and the $197.2m in proceeds from Manulife US Real Estate Investment Trust in June this year.

Singapore bonds: Who's borrowing where

In terms of debt issuance for Singapore's debt capital market, some notable deals this year, according to Leong, include the $1.5b 40-year bond and $900m 30-year bond from the Land Transport Authority, which were amongst the longest-dated mega-sized bond deals in the Singapore bond market with UOB acting as a joint bookrunner for these two landmark deals. Other notable issuances include CapitaLand Commercial Trust's $200m 7-year bond, CapitaLand Mall Trust's $130m 5.5-year bond, and SMRT's $200m 5-year and $100m 10-year bonds, with UOB acting as sole bookrunner for all of these transactions.

Given these sizeable deals, UOB remains as the most active issuer in terms of bond proceeds so far this year, according to data from Thomson Reuters, capturing 17% of the market share worth $2.6b, which includes issuances from its subsidiaries. In April, UOB prices its dual-tranche offshore bond worth $1.2b (a $700m three-year fixed-rate bond and a $50m three-year floating rate bond), which is considered the biggest bond issuance from a Singapore company so far this year.

In terms of bonds underwriting, DBS Group currently leads the pack with $2.1b in related proceeds and capturing 14.9% of the market share. This is followed by Oversea-Chinese Banking Corporation (OCBC) and UOB with 12.5% and 8.1% of the market share, respectively. Underwriting fees for Singaporean bonds issuance, meanwhile, totalled $86.7m, which is a 35.5% increase from the same period last year.

Raymond Tong, partner at Clifford Chance, explained that activity in the Singapore dollar bond market has appeared to be resilient in the face of emerging market currency pressures, whilst noting about the evolving nature of the city-state's debt capital market to accommodate various product types.

He noted about Pacific International Lines' first ever switch tender in the Singapore dollar bond market at about $60m towards the end of 2017, which was "an excellent example of the growing sophistication of the Singapore dollar bond market in that liability management is increasingly being used as a tool for bond issuers to optimise their capital structure, rather than simply a last resort in distress scenarios."

Trends, outlook

Aside from the continued growth of real estate as the main driver of Singapore's equity capital market, industry experts and observers are seeing the emergence of two sectors that will likely boost and maintain momentum of the city-state's equity market: healthcare and technology.

Deloitte's Ling noted that whilst Singapore' IPO market is driven by REITs and Business Trusts (BT) over the last few years, but the percentage has fallen to just 60% as more listing from other listings are starting to come in. "We see a bullish trend in the healthcare industry. In the last five years, healthcare IPOs have shown an increasing price earnings ration on listing—at between 20 to 30 times earnings," Ling said. "The post-offering performance of healthcare IPOs has remained strong with an average of24.5% share price return after going public." Healthcare-related industries that are listed on the SGX have also consistently delivered strong growth and prospects, according to Ling.

Leong noted that there is also growing interests from foreign companies that are interested in tapping the equity capital market in Singapore, not only in REIT and high-growth consumer sectors, but also from technology companies, particularly those focussed on financial technology and medical technology.

As for Singapore's debt capital market, the recent developments in global trade in terms of bond issuance, are pushing investors to be "more discerning in the selection of bonds with buying interest focussing on high-grade issuances" given the current rising interest rate environment. "We expect investment-grade issuers will carry on leading Singapore's debt equity market," he said. "As investors continue to focus on quality and yields, we may also see more infrastructure bonds as well as new bonds issued in the form of structured securitisation products."

Tong, talking about possible emerging trends in Singapore's debt capital market, noted that outside of the government-linked company space, there appears to be an increasing demand on the part of bondholders for improved covenant terms, particularly on more high yield-style incurrence covenant package that would give enhanced protection to bondholders. "This could be an emerging trend from the raft of defaults a few years ago, whereby the increasing sophistication of the market is leading investors to take a more proactive approach in assessing credit profiles, and demanding increased contractual protections from certain types of issuers," he said, adding that the refinancing wall of Singapore dollar-denominated debt, in which issuers decide to tap capital markets to meet obligations, will be a story to watch out for.

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HONG KONG VIEW

A tale of two capital markets

Hong Kong's equity capital market looks on track to have a record-breaking year in 2018 and once again become the world's largest venue for initial public offerings (IPOs) with expected total fundraisings between HK$200b to HK$250b. However, the same cannot be said for the debt capital market as it has been a lacklustre year with a decline in bond offerings in the first half of 2018. According to **Gordon Ng**, head of corporate finance at Dentons Hong Kong, Hong Kong suffered a decline, in both transaction value and volume of bond deals given various macro and microeconomic risks around the region and globally.

"This downturn has been further compounded by microeconomic factors such as rising defaults from Chinese corporate issuers and restrictions placed by the [National Development and Reform Commission] on overseas financing on Chinese property companies, which account a majority of high-yield deals."

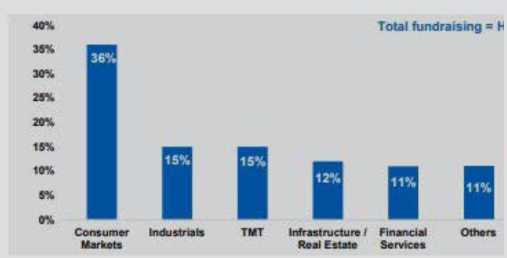
This is significant since an overwhelming majority of the bond issuances in Hong Kong and Asia have been comprised of Chinese domiciled issuers. Most of the deals for Hong Kong originate from issuers in the following industries, according to the Dentons official: financial institutions, real estate, conglomerates—which is a mixture of IT, healthcare, pharmaceuticals, infrastructure, finance, securities, tourism, and property development—and technology companies.

Notable deals

Hong Kong's IPO market was dominated by small and medium-sized deals. Some of the most notable deals for Hong Kong's equity capital market, according to Fong, include the listing of some high-profile names in the technology, media, and telecom (TMT) sector, including Xiaomi Corporation's $4.7b lacklustre IPO in late June and China Tower Corporation Limited's jumbo $6.9b flotation in August.

For Hong Kong's debt capital market, James Fong, partner at Bird & Bird Hong Kong noted that real estate/property sector as well as the finance sector continued to dominate. One notable deal, according to him was the $6.4b senior bond offering in six tranches by China National Chemical Corp (ChemChina) in March 2018, with the bond's proceeds offering used to refinance debt incurred by ChemChina for its $43b takeover of Swiss seed maker Syngentia in 2017.

2018 H1: Top 5 sectors - by total fundraising



Source: KPMG