

## CMBI Credit Commentary – BEDUUS

### **BEDUUS: Upgrade to Buy at 93.8, as controlling shareholder's privatization offer reflects willingness to pay**

Bright Scholar received a preliminary non-binding proposal letter on April 29, 2022 from its Chairperson of the Board, Ms. Huiyan Yang (who is also the controlling shareholder of Country Garden), and Ms. Meirong Yang (collectively, the "Buyer Group") to acquire all of the outstanding Class A ordinary shares and Class B ordinary shares of the Company at a purchase price of USD 0.83 per share, subject to certain conditions. The Buyer Group, currently owns around 78.06% of all issued shares of Bright Scholar, and so the privatization proposal will cost it approximately USD 16mn. While this is a relatively small sum to Ms. Huiyan Yang, we argue the privatization proposal reflects Ms. Huiyan Yang's intention to maintain Bright Scholar as a going-concern business despite regulatory challenge, and will repay BEDUUS 7.45 7/2022 (O/S USD 232mn) when it comes due in July 2022.

Bright Scholar had cash on hand of RMB 845mn and restricted cash of CNY669 million as of Aug 2021. It also had short-term investments of RMB 2bn already settled as cash, according to Fitch in Dec. 2021. This is sufficient to cover its short-term debt of RMB 754mn USD notes of USD 232mn (RMB 1.5bn).

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