

CMBI Credit Commentary – JIAYUA

Jiayuan: Case on the late payment of CP to be dropped soon

Litigation to be dropped soon, maintain Buy on JIAYUAs

Media reported the winding-up petition against Jiayuan on the default of bonds of HKD10mn due 5 Feb'22. As per our discussions with Jiayuan, this is related to the company's guarantee on onshore commercial paper related to the acquisition of a project in Zhuhai. Jiayuan delays the CP repayment because the acquisition is still pending on unfilled conditions precedent (incl plot ratio change). The company will settle the repayment asap in view of the relatively small amount and expects the court case to be withdrawn soon. We maintain BUY on JIAYUAs and believe that the current valuations, especially those of the longer-dated JIAYUAs trading at high 30s - low 40s, have priced in excessive downside.

"Clean" FY21 results, remain in green camp under 3-Red Lines

Jiayuan, audited by PWC, is one of the few Chinese developers with a "clean" FY21 results without even an EOM (such as auditor mentioning the material uncertainty relating to going concern). While its revenue and core net profit in FY21 declined modestly by 1% and 9% to RMB18.9bn and RMB2.7bn, respectively, it remains in the green camp under 3-Red Lines. Its net gearing, adj liab/asset and unrestricted cash/ST debts ratios are 50.2%, 60.6% and 1.4x in Dec'21, improved from 53.9%, 64.3% and 1.3% in Dec'20, respectively. We are not surprised for Jiayuan to come up with a relatively 'clean' FY21 results as Jiayuan's growth trajectory is very different from some industry peers. Jiayuan's expansion is mainly through equity-funded asset injections from major shareholder and it has maintained a high sales attributable ratio (81% in FY21) with a much higher balance sheet transparency.

Manageable refinancing pressure

Jiayuan repaid bonds with remaining outstanding of USD225mn due 11 Mar'22 and onshore ABS of RMB200.2mn on 31 Mar'22. It does not have onshore bonds and ABS outstanding. It has USD103mn outstanding for the bonds due 2 May'22. We understand the bonds are mainly held by a major investor. Jiayuan is exploring options to roll-over but can meet full repayment with internal resources. The only other bond maturity in FY22 will be USD200mn due 30 Oct'22. The refinancing pressure is manageable factoring into its unrestricted cash/ST debts of 1.4x. While we would not rule out the possibility that Jiayuan will explore options for liability management to conserve liquidity for its longer-term development, we believe that current valuations, especially those of the longer-dated JIAYUAs, priced in excessive risk of a "distressed exchange".

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