招银国际 CMB INTERNATIONAL

CMBI Credit Commentary

LNGFOR: Passed through the repayment hump

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Cyrena Ng, CPA 吴蒨莹
(852) 3900 0801
cyrenang@cmbi.com.hk

Yujing Zhang 张钰婧
(852) 3900 0830
zhangyujing@cmbi.com.hk

Maintain buy on LNGFORs

Longfor has demonstrated its ability to manage debt maturities well and continues to reduce net debts with positive FCF despite the challenging operating environment. We take additional comfort with the growing contribution from investment properties and property management partly offset the impact of weak property sales and margin pressure. We maintain our view that Longfor is a survivor of the sector and the current valuation of LNGFORs offer good carry plays. Hence, we maintain buy on LNGFORs.

Table 1: Bond profiles

Security Name	O/S (USD mn)	Maturity	Coupon	Offer price	YTM (%)
LNGFOR 3 3/8 04/13/27	250.0	4/13/2027	3.38%	94.2	7.28%
LNGFOR 4 1/2 01/16/28	500.0	1/16/2028	4.50%	93.2	7.73%
LNGFOR 3.95 09/16/29	850.0	9/16/2029	3.95%	85.4	8.29%
LNGFOR 3.85 01/13/32	400.0	1/13/2032	3.85%	77.5	8.51%

Source: Bloomberg.

Property developments remains under pressure….

Table 2: Operating performance at a glance

RMB mn	1H24	1H25	% change
Revenue	46,855.1	58,750.3	25.4%
-Property sales	*33,757.9*	*45,478.3*	*34.7%*
-Non property sales	*13,097.0*	*13,272.0*	*1.3%*
Gross profit	9,640.4	7,422.3	-23.0%
Core attributable profit	4,750.0	1,380.0	-70.9%
Profit before tax	9,130.5	6,386.7	-30.1%
Recognized GFA (mn sqm)	3.0	3.5	16.4%
Recognized ASP/sqm (RMB)	11,145	12,894	15.7%
Gross margin	20.6%	12.6%	
-Property sales	*7.4%*	*0.2%*	
-Non property sales	*54.5%*	*55.2%*	

Source: Company filing, CMBI Research.

In 1H25, Longfor posted higher revenue, driven by higher recognized ASP and GFA of property developments, as well as higher non-property sales such as rental and property management income. However, gross and core attributable profit dropped significantly as gross margin of property developments was sharply lower. As of Jun'25, Longfor's unrecognized sales were RMB105.9bn. The margin pressure for unrecognized sales remains significant. In 8M25, Longfor's gross contract sales declined 30.1% to RMB41.0bn, due mainly to the 27.5% decrease in GFA. The operating environment for property development remains challenging. We take some comfort that Longfor has been disciplined in land acquisitions and guided the gross margin of newly acquired projects should be in mid-teen level.

…concerns partly mitigated by growing contribution from non-property sales

In 1H25, revenue from Longfor's non-property investments and management segments grew marginally in the course of mall renovation and optimizing the portfolio of property management. Overall occupancy rates for its investment properties and rental housing remain largely stable at 97% and 95.6%, respectively, in 1H25. Gross profit of non-property development segments grew 2.6% to RMB7.3bn with gross margin widened 0.7 pct. pt. to 55.2%. The non-property development segments contributed overwhelming majority of Longfor's gross profit in 1H25, i.e. over 95% as per our estimate vs c70% in FY24. The growing contributions from higher margin non-property segments partly tempered the impact of lower contribution and shrinking margin from property developments. As of Jun'25, Longfor had 89 malls in operation across 24 cities. It will open 10 malls in 2025 and another 30 malls in 2026. The growing contribution from non-property development operations will continue to support its recurring cash flow and gross margin.

Positive FCF to support further debt reduction

Table 3: Summary of financial position

RMB bn	Dec'23	Jun'24	Dec'24	Jun'25
Cash	59,224.4	48,915.9	47,951.6	42,632.2
Cash in escrow	*22,800.0*	*19,200.0*	*16,750.0*	*13,410.0*
ST debts	28,507.9	30,939.8	31,785.3	27,010.9
LT debts	178,969.9	170,592.5	158,477.8	156,010.9
Net debts	148,253.4	152,616.5	142,311.5	140,389.6
Net gearing	62.7%	63.0%	58.0%	57.4%
Cash/ST debts	2.1x	1.6x	1.5x	1.6x
Adj. liab/assets	60.4%	58.6%	57.2%	56.1%

Source: Company filing, CMBI Research.

Longfor managed to consistently generate positive FCF in a challenging operating environment. Its net debts further reduced to RMB140.4bn as of Jun'25. Key credit ratios have been improving. Longfor guided positive FCF of RMB10bn for FY25, implying positive FCF of cRMB8bn in 2H25 as per our estimates. This supports further debt reduction and improvement in credit profile.

Manageable debt maturity profile

Longfor passed through a hump in debt repayment in FY25. YTD, it has repaid onshore bonds due/puttable totaled RMB13.6bn. The company also early repaid syndicated loans (due Dec'25) of RMB1bn (out of the original loan size of RMB8.5bn). It will continue to partial repay the syndicated loans over the coming months with internal resources.

During 1H25, Longfor managed to extend the average debt tenor to 11.0 years from 10.3 years and lower the average funding cost to 3.6% from 4.0%. Longfor increased the uses of operating loans secured against its IPs to lengthen the debt maturity profile and lower the funding cost. Its operating loans increased to RMB93.0bn in Jun'25 from RMB77.3bn in Dec'24. We estimate that the headroom for additional operating loans to be over RMB80bn (i.e. over RMB11bn).

The positive FCF, coupled with its headroom for operating loans, should offer a strong financial flexibility for refinancing over the coming 2-3 years. The next USD bond maturity will be Apr'27, and the outstanding amount of Longfor's offshore USD bonds are USD2bn. We expect Longfor to conduct more repurchases of its USD bonds.

CMB International Global Markets Limited

Fixed Income Department
Tel: 852 3657 6235/ 852 3900 0801
fis@cmbi.com.hk

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.
Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures