

CMBI Credit Commentary

Greenland – Opportunity from CHFOTN's spillover

GRNLGR 6.25% '22(21P) YTM '19%

Bottomline: We find front-end Greenland ('GRNLGR 6.25% '22(21P) YTM '19%) now offers attractive buying opportunity. Greenland has consistently communicated that it strives to remove one redline each year; we see no change to its resolution to improve cash to short-term debt ratio.

We want to highlight

- a) Greenland has likely achieved its 2020 full year contract sales target of RMB 350 bn, per CRIC's record; this should eliminate potential –ve rating pressure, if any.
- b) Greenland is in the middle of issuing RMB 2.6 bn onshore bonds (2+1year tenor, 1+2year tenor at 6.5%-7%) This is a good achievement since its last onshore issuance in 2016, amid recent tight onshore liquidity condition.
- c) Media also reported Greenland's delivery of overseas project (i.e. commercial project in Korea) that will likely fetch RMB 1.8 bn in Dec 2020.

Brainstorming what are causing Greenland's bond price weakness?

- 1) Technical weakness triggered by CHFOTN's saga: but fundamentally, Greenland is a Shanghai-based SOE.
- 2) PBOC and CBIRC's recent requirement for domestic banks to comply with ceilings on property loans and mortgage over next 2 - 4 years, effective from 1 Jan 2021.

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Ratio of outstanding property loans to total loans will be capped at 12.5% - 40%, while that for outstanding mortgages will be restricted to 7.5% - 32.5%, depending on banks' asset scale.

Smaller banks will likely need to cut back their property loans under this requirement as a result.

- We argue 50% - 60% of Greenland's landbank is in higher-tier cities, which more likely had project development loans from large banks.
- Few construction companies acquired by Greenland were also SOEs that enjoyed lower bank interest cost than Greenland; this business segment financing will not be disrupted either, in our view.
- Regarding bank loan exposure from smaller banks, given existing regulations are already very tight, we believe the incremental impact from these banks' scaling back bank lines will be moderate. We tend to believe, when strictly enforced, Greenland can circumvent the regulation by seeking/redirecting bank lines from larger banks.

Greenland's capital structure breakdown

- Greenland has relatively lower reliance on bond financing, compared to industry peers. We deem it as a better debt profile because bond issuance often requires favorable market window prior to its maturity date, and hence requires more seasoned liquidity management from company. As of 30 Sep, 2020, Greenland's capital structure consists of merely 17% of bond financing, and majority 83% from bank and financial institutions' borrowing. Moreover, approximately 60% of its total borrowings are secured by assets and shares, which have higher chance of being rolled over.

Greenland Holdings (GRNLGR, 600606.SH)							
<i>in millions, unless otherwise stated</i>							
		2020/09/30 RMB	2020/09/30 USD	Rate	Maturity	Put-table Date	Note
Loans and Other Borrowings		280,967.8	43,225.8				
Onshore Corporate Bonds							
15Lvdi02	15绿地02	8,000.0	1,230.8	6.800%	12/10/2020		Repaid
15Lvdi01	15绿地01	2,000.0	307.7	3.900%	12/10/2020		Repaid
16Lvdi01	16绿地01	7,131.0	1,097.1	6.800%	1/20/2021		
16Lvdi02	16绿地02	1,000.0	153.8	3.800%	1/20/2021		
21Lvdi01	21绿地01	1,000.0	153.8	7.000%	1/6/2024	1/7/2022	Issued after 3Q'20
21Lvdi02	21绿地02	1,600.0	246.2	6.500%	1/6/2024	1/7/2022	Issued after 3Q'20
Total Onshore Corporate Bonds		18,131.0	2,789.4				
Offshore Corporate Bonds							
GRNLGR 7.875 10/24/2020		1,950.0	300.0	7.875%	10/24/2020		Repaid
GRNLGR 5.25 02/12/2021		2,990.0	460.0	5.250%	02/12/2021		
GRNLGR FLOAT 09/26/2021		3,575.0	550.0	Float	09/26/2021		
GRNLGR 6.25 12/16/2022		3,250.0	500.0	6.250%	12/16/2022	12/16/2021	
GRNLGR 7.25 03/12/2022		2,275.0	350.0	7.250%	03/12/2022		
GRNLGR 6.75 04/21/2022		1,625.0	250.0	6.750%	04/21/2022		
GRNLGR 6.75 06/25/2022		3,250.0	500.0	6.750%	06/25/2022		
GRNLGR 5.75 09/26/2022		1,300.0	200.0	5.750%	09/26/2022		
GRNLGR 5.6 11/13/2022		2,405.0	370.0	5.600%	11/13/2022		
GRNLGR 5.9 02/12/2023		1,950.0	300.0	5.900%	02/12/2023		
GRNLGR 6.125 04/22/2023		2,600.0	400.0	6.125%	04/22/2023		
GRNLGR 6.75 09/26/2023		3,250.0	500.0	6.750%	09/26/2023		
GRNLGR 6.75 03/03/2024		1,950.0	300.0	6.750%	03/03/2024		
GRNLGR 5.875 07/03/2024		3,900.0	600.0	5.875%	07/03/2024		
GRNLGR 7.25 01/22/2025		1,625.0	250.0	7.250%	01/22/2025		
Total Offshore Corporate Bonds		37,895.0	5,830.0				
Total Debt Excluding Perpetuals		336,993.8	51,845.2				
Perpetuals		0.0	0.0				
Total Debt Including Perpetuals		336,993.8	51,845.2				
Less: Unrestricted Cash		(68,486.5)	(12,395.7)				
Net Debt		268,507.4	39,449.5				
Liquidity:							
Cash and Cash Equivalent		80,572.3	12,395.7				
Less: Restricted Cash (Estimated)		(12,085.8)					
Unrestricted Cash		68,486.5	12,395.7				

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