

CMBI Credit Commentary

RSMACA – Equity placement is credit positive and shows on track fundraising progress

Red Star Macalline Group(601828.CH/1528.HK) completed new share issuance at RMB 8.23 per share to 17 investors on 20 Oct 2021, and raised cash of RMB 3.678bn at custodian on 11 Oct 2021. After this equity placement, Red Star Macalline Holding maintains 49.05% share of its listed company. The equity fund-raising is a catalyst we looked for since July 2021. Red Star managed to raise RMB 3.7bn, the same amount in its share placement announcement in early 2021, in which RMB 1.11bn is earmarked for debt repayment. **We maintain our OW on RSMACA at 88/90 (18.3%/15.6% YTM), on the back of its fundraising progress.**

After this successful equity placement yesterday, we estimate Red Star has raised RMB 4.8bn over last two months, including 80% stake sale of its property management co. to Cifi Ever Sunshine Services Group for RMB 696mn on 15 Oct 2021. This can shore up Red Star's liquidity to repay its upcoming maturity, about RMB 3bn for rest of 2021, and RMB 8.3bn in 2022 (including puttable onshore bonds of RMB 1bn)

Refinancing plan recap

- Red Star has liquid financial investment worth of RMB 3.5bn as of 30 Jun, 2021, including RMB 1.55bn in 宁波梅山保税港区奇君股权投资 that owns 15.42% in Qingdao Haier Biomedical (688139.CH), and RMB 1.46bn in Dingdong (DDL US).
- Among the above, Red Star has planned to dispose RMB 1bn - 2bn for debt repayment, and it has already sold down approximately RMB300mn-400mn worth of equity investment, [per Shanghai Stock Exchange announcement](#).
- Red Star has also proposed to issue an ABS of RMB 2.8bn with credit enhancement to refinance 17 畅星 01 coming due in Feb 2022.

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- Red Star will seek long-term bank loans to refinance two of its maturing CMBS.
- Finally, we project Red Star has approximately RMB 1bn free cash flow for debt repayment as well.

Red Star Macalline - Capital Structure

Notes:

USDRMB exchange rate assumed to be: 6.5

Red Star Macalline Group (1528.HK)

<i>in millions</i>	2021/06/30 RMB	2021/06/30 USD	Coupon	Maturity	Put-table Date
Cash and Cash Equivalent	6,605	1,016		N/A	
Total Liquidity	6,605	1,016			
18红星家居MTN001	500	77	6.180%	24/10/2021	
18红美A2	211	32	6.300%	17/12/2036	17/12/2021
PR红美A1	2,208	340	5.800%	17/12/2036	17/12/2021
2021 Total Bond Maturity & Put	2,919	449			
19美凯龙MTN001	500	77	5.750%	25/1/2022	
17物星01	2,650	408	5.700%	7/2/2022	7/2/2022
20红美01	500	77	4.950%	10/3/2023	10/3/2022
20红美02	500	77	5.160%	3/6/2023	3/6/2022
PR红美A (19红美A)	1,686	259	5.800%	26/6/2040	26/6/2022
RSMACA 3.375 09/21/22	1,950	300	3.375%	21/9/2022	
20红美03	500	77	6.200%	30/10/2023	30/10/2020
20美凯龙MTN001	500	77	5.700%	20/1/2023	
20红美B	110	17	6.000%	28/6/2038	28/6/2023
18红美次	100	15	0.000%	17/12/2036	
19美凯龙ABN001次	10	2	0.000%	7/5/2037	
20红美次	30	5	0.000%	28/6/2038	
19红美次	150	23	0.000%	26/6/2040	
19红美B	410	63	7.000%	26/6/2040	26/6/2022
2022 onward Total Bond Maturity & Put	9,596	1,476			

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