

CMBI Credit Commentary

PWRLNG: Another round of liability management exercise

The Asset Asian G3 Bond Benchmark Review 2023

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Further maturity extension for 3 bonds coming due

Powerlong announced another round of exchange offer and consent solicitation on all of its 8 offshore USD bonds with a total o/s amount of USD2.1bn. In short, this round of liability management is to extend the maturity PWRLNG 6.95 07/23/23 for 29 months, as well as further the maturities of 2 exchanged bonds: PWRLNG 4 07/14/23 and PWRLNG 7 ½ 01/15/24 for another 1-year and 2-year, respectively. Recalled that Powerlong completed an exchange offer and consent solicitation for 2 bonds originally due in 2022 and issued PWRLNG 4 07/14/23 and PWRLNG 7.125 01/15/24 in Jul'22. Comparing with its previous exchange offer, the terms offered in this round are less favorable: (1) lower incentive fee, (2) lower upfront principal repayment and (3) longer maturities extension. That said, the terms proposed by Powerlong are better than those of distressed property developers such as Sunac and Evergrande which seek for longer maturity extension, offer no upfront principal repayment, cut the coupon and coupon could be in PIK.

The Exchange offers

The exchange offers cover PWRLNG 4 07/25/22 and PWRLNG 7 ½ 11/08/22 (the holdouts of the 2 bonds subject to exchange offer in Jul'22), as well as PWRLNG 6.95 07/23/23. The exchange offers are to extend the maturities of these 3 USD bonds to 2024-26. See the table below. For the holdouts of the 2 bonds subject to exchange offers in Jul'22, the "effective" maturity extension is in line with holders of the exchanged bonds (PWRLNG 4 07/14/23 and PWRLNG 7 ½ 01/15/24), i.e. 1-year and 2-year, from Jul'23 to Jul'24 and Jan'24 to Jan'26, respectively. For PWRLNG 6.95 07/23/23 which is the first time subject to an exchange offer, the extension is 29-month. The coupon rates will remain the same and coupon will be payable semi-annually. The deferred upfront payments will be 2-3 pts. Only the exchange offer of PWRLNG 6.95 07/23/23 will be subject to a minimum acceptance level of 90% of the principal amount of USD420mn. The incentive fee for the exchange offers is 0.25pt and deadline for the exchange is 4 Jul'23.

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

Cyrena Ng, CPA 吳蒨瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

Jerry Wang 王世超
(852) 3761 8919
jerrywang@cmbi.com.hk

CMBI Fixed Income
fis@cmbi.com.hk

The consent solicitation

The consent solicitation covers PWRLNG 6.25 08/10/24, PWRLNG 5.95 04/30/25 and PWRLNG 4.9 05/13/26. The consent solicitation is to carve out any event of default resulting from the default PWRLNG 6.95 07/23/23 which is subject to the exchange offer in this round of liability management exercise. The approval threshold of the consent solicitation is 50%. The consent fee is 0.15pt and the deadline for the exchange is 4 Jul'23

The concurrent consent solicitation

The concurrent consent solicitation covers the 2 exchanged bonds from the liability management exercise in Jul'22: PWRLNG 4 07/14/23 and PWRLNG 7.125 01/15/24. In brief, the keys for the concurrent consent solicitation are to further extend the maturities of the 2 exchanged by 1-2 years, as well as to carve out any event of default resulting from the default PWRLNG 6.95 07/23/23. The approval threshold will be 75%. The consent fee is 0.25pt and the deadline for the exchange is 4 Jul'23.

	O/s amt (USDmn)	New Notes principal	New maturity	New Coupon	Deferred upfront payment
Exchange offer					
PWRLNG 4 07/25//22	21.294	USD100	Jul'24	4%	2%, payable on 4 Aug'23
PWRLNG 7.125 11/08/22	37.259	USD100	Jan'26	7.125%	2%, payable on 6 Mar'24
PWRLNG 6.95 07/23/23	420	USD97	Dec'25	6.95%	3%, payable on 6 Oct'23
Consent solicitation					
PWRLNG 6.25 08/10/24	500				
PWRLNG 5.95 04/30/25	535				
PWRLNG 4.9 05/13/26	200				
Concurrent consent solicitation					
PWRLNG 4 07/14/23	169.77	-	12 Jul'24	-	2%, payable on 4 Aug'23
PWRLNG 7.125 01/15/24	247.51*	-	15 Jan'26	-	2%, payable on 6 Mar'24
Minimum acceptance amount	Any and all, except USD378mn for PWRLNG 6.95 07/23/23				
Additional entitlement					
- PWRLNG 4 07/25//22	An amount equal to interest accruing from the settlement date to and excluding 14 Jul in cash. 2% of entitlement payable on 4 Aug'23, 98% of the entitlement payable on 11 Aug'23.				
- PWRLNG 7.125 11/08/22	An amount equal to interest accruing from the settlement date to and excluding 15 Jul in cash. 2% of entitlement payable on 6 Mar'24, 98% of the entitlement payable on 14 Aug'23.				
- PWRLNG 4 07/14/23	An amount equal to interest accruing from the settlement date to and excluding 14 Jul in cash.				
- PWRLNG 7.125 01/15/24	An amount equal to interest accruing from the settlement date to and excluding 15 Jul in cash.				
Deferred interest consideration	Accrued and unpaid interest up to and excluding the settlement date in cash, payable on 4 Aug'23				
- PWRLNG 6.95 07/23/23					
Mandatory redemption - PWRLNG 7.125 01/15/24	Upon the full redemption of PWRLNG 4 07/14/23 on or prior to 12 Jul'24, it shall redeem on a pro rata basis equal to 10% of the issue amount equal to 100% of the principal amount plus accrued and unpaid interest to (but excluding) 12 Jul'24				
Incentive fee/ consent fee/ concurrent consent fee	USD0.25				
Expiration deadline	4 Jul				
Settlement date	On or about 6 Jul				
Listing of new notes	On or about 7 Jul				

Consent fee payment date	6 Jul
Required consent	Not less than a majority in the respective aggregate principal amount
Required concurrent consent	No less than 75% of the respective aggregate principal amount

*Note: The amount does not include USD2.09mn held by company's affiliates.
Source: Company's fillings.*

CMB International Global Markets Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

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