

CMBI Credit Commentary

NWDEVL: A step to resume access to capital markets

NWDEVL 5.25 Perp remains our top pick

NWD announced the issuance of a new 3.5-yr USD bond which will be the first USD bond issue from the company since Jun'22. At the same time, NWD announced the concurrent tender offer for NWDEVL 6.15 Perp and NWDEVL 4.75 01/23/27 at 100.0 and 96.0, respectively. We expect the new issue to meet with decent market demand based on the IPT and improving market sentiment on NWD. The new issue helps NWD gradually resume the access to offshore capital markets and moderately relieve its refinancing pressure. As we wrote [on 29 Jul'24](#), we expect more repurchases/tender offer from NWD given the good progress of NCD and its access to lower-cost funding alternatives. Within the NWDEVL complex, NWDEVL 5.25 Perp remains our top pick in view of its more balanced risk-return profile, i.e. lower cash price, highest YTC and highest credit spread (789bps) if the perp is not called on the first call date. NWDEVL 5.25 perp was 2.1 pts higher this morning while other NWDEVLs moved 0.5-2pts higher.

Table 1: NWDEVL's o/s bonds/perps

	Amt Out (USD mn)	Ask Price	YTM/YT C (Ask)	Next Call Dt	Coupon reset	Coupon Step-up
NWDEVL 6.15 PERP	454	97.8	10.0	3/16/2025	3yrUST+6 .201%	300bps
NWDEVL 5 ¼ PERP	999	86.0	15.2	3/22/2026	5yrUST+7 .889%	300bps
NWDEVL 4 ½ PERP	1,140	66.2	17.1	3/10/2028	5yrUST+5 .858%	300bps
NWDEVL 6 ¼ PERP	1,300	56.7	11.0	9/7/2024	-	-
NWDEVL 4.8 PERP	700	45.6	10.5	08/29/2024	-	-
NWDEVL 4 ¾ 01/23/27	504	92.3	8.3	--	-	-
NWDEVL 5 ½ 06/16/27	172	94.3	8.1	03/16/2027	-	-
NWDEVL 4 ½ 07/18/29	718	80.6	9.1	--	-	-
NWDEVL 4 ½ 05/19/30	443	78.5	9.4	--	-	-
NWDEVL 3 ¾ 01/14/31	76	73.5	9.3	--	-	-

Source: Bloomberg. 6,506

FV of new 3.5-yr bond to be low to mid 8% vs IPT of 8.875%

We consider the FV of new 3.5-yr NWDEVL to be low to mid 8% factoring into the valuations of NWDEVL 4.75 01/23/27 (YTM 8.2%) and NWDEVL 4.125 07/18/29 (YTM of 8.9%). The IPY is 8.875%. At the time of writing, the book for the new issue is already over USD1bn. While there is a cap of USD400mn on the size of tender offer, there will be no cap on the size of new issue.

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

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

CMBI Fixed Income
 fis@cmbi.com.hk

The concurrent tender offer

NWD launched the tender offer to purchase NWDEVL 4.75 01/23/27 and NWDEVL 6.15 Perp at 96.0 and 100.0, respectively. The maximum acceptance amount will be USD400mn. The priority of acceptance of the tender offer will be given to bondholders participating into the new 3.5-yr issue. Our interpretation is that the tender offer is conditional upon the issuance of new 3.5-year bonds. That said, in view of the book size at the time writing, we expect the new issue and tender offer to go through.

Table 2: Details of the tender offer

Bond	NWDEVL 4.75 01/23/27	NWDEVL 6.15 PERP
o/s amt	USD504.2mn	USD453.9mn
Purchase price	96.0	100.0
Maximum acceptance amount	Determined after expiration date and shall not exceed USD400mn	
Expiration date	7 Aug'24	

Source: Company fillings.

CMB International Global Markets Limited

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

CMB International Global Markets Limited ("CMBGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

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

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

Disclaimer:

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.