

CMBI Credit Commentary

First Take from Corporate Day: Greenland HK – Just one USD note & one perp outstanding after July '21

We initiate an OW on GRNLHK 9.625 'Jun22 (YTM: 15.6%)

This is given it will become the only outstanding USD bond/bullet debt of Greenland HK, after its repayment of GRNLHK 6 '21 on 17 July, 2021. GRNLHK has relatively low leverage of 53% net debt/equity ratio, gross debt/revenue of 0.75x with gross debt of RMB25.5bn, as of end-2020. **This provides good support and visibility to its only 1 remaining USD bond due in 2022.**

Not call USP Perp on 26 July, 2021

Management shared they will not call its upcoming Perp of USD 120m on 26 July, 2021 (1st call date) to preserve its NDRC quota for offshore financing, in case USD bond market volatility persist for long. This is given secondary market yield is at double-digit level, vs its Perp will be T5+9.5% after call date (~500bp step-up post call date).

1H2021 contracted sales lagged but not land investment

In Jan-May 2021, Greenland HK achieved contracted sales RMB13.7bn (+34%yoy) but only lock in 23% of annual sales target (RMB60bn). Still management maintains its RMB 60bn annual sales target, expects 1H2021 to reach 1/3 of target and 2H2021 to catch up. This is backed by its RMB 80bn saleable resources and some of its newly acquired projects in YRD in 1H2021 that will put to launch within the year. In 5M2021, Greenland HK acquired 10 projects for RMB13.8bn, out of cash collection of RMB 18.3bn during the same period. (Same year cash collection rate ~90%) Full year land acquisition budget is RMB 24bn but management stated they can adjust according to market condition.

Ready funding for USD 300m bond due on Jul 2021

Management stated they have prepared funding for USD 300m bond due on 17 July, 2021. This is partly pre-funded by USD150m 364D note issued last month. Currently 90% of its total debt is bank loan & other borrowings. It has limited trust financing, and remaining low USD bond obligations.

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GRNLHK will explore mortgage receivables as asset backed financing to widen its increasingly narrowing financing channels.

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