

CMBI Credit Commentary

Fixed Income Daily Market Update 固定收益部市场日报

The Asset Asian G3 Bond Benchmark Review 2023

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- *Strong sentiment this morning. Asian IG space overall tightened 2-5bps. XIAOMI/WB/MEITUA tightened 2-3bps, JP bank T2s were 2-5bps tighter. China AMCs were also well bid.*
- *LNGFOR: Weaker but better-than-peers 1H24 results; maintain buy on LNGFORs; maintain buy on LNGFROs. LNGFROs rose 1.7-2.6pts post the results. See comments below.*
- *WB: Slight improvement in EBITDA margin in 1H24 with cost control despite decline in revenue. Maintain buy on WB 3.375 07/08/30. See comments below.*

❖ Trading desk comments 交易台市场观点

Last Friday, UST yields widened 7-9bps overnight. The sentiment in Asia IG space remained firm, while the flows were quiet ahead of Powell's Jackson Hole speech. In Chinese IGs, HAOHUA '30/TENCNT '28/BABA '31 tightened 1bp. AACTECs were unchanged to 0.3pt higher. See our comments on [23 Aug '24](#). In financials, Chinese AMCs were better bid. CCAMCL/ORIEAS 27-29s were 1-4bps tighter. European/Canadian AT1s such as BACR 8 Perp/BNP 8 Perp/BNS 4.9 Perp were 0.1-0.2pt higher. In JP, SUMILF/FUKOKU Perps were 0.2pt higher. In KR/AU, DAESEC 27/29 tightened 2-4bps. CBAU '34/NAB '30 were 1-2bps tighter. Meanwhile, PTTGCs/TOPTBs tightened 10-15bps post widening 10-20bps on last Thursday. In HK, CKHH '33/BNKEA '34 tightened 1-2bps. CKINF Perps were 1.1pts higher. FAEACO Perp was up 0.2pt. Media reported that Far East Consortium has scrapped the plans to issue a USD bond but will still aim to launch a consent solicitation for its USD360mn FAEACO 7.375 Perp (callable 18 Oct '24) as soon as this week. In Chinese properties, LNGFOR 27/28/29/32 rebounded 1.7-2.6pts but closed 1.4-3.9pts lower WoW. See below for the comments of LNGFOR's 1H24 results. FUTLAN '25/VNKRLE '29 rose 1.0pt, closed 1.9-3.6pts lower WoW. SHUION 25-26s were 0.4-0.5pt higher. In industrials, WESCHI '26 declined another 0.8pt and closed 7.5pts lower WoW. In Macau gaming, MPEL/STCITY/WYNMAC 27-29s were up 0.2-0.4pt. In Indonesia, LMRTSP '26 lowered 0.6pt. MDLNIJ '25 was down 0.5pt. In India, ADSEZs/ADTINs/ADGREGs were up 0.1-0.2pt.

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There were light but mixed two-way flows in USD LGFVs. WFURCD priced a USD270mn 3-yr bond at par to yield 7.5% over the weekend. WFURCD '25 was 0.7pt higher while '24 was up 0.1pt. HENINV/HNYUZI 27s were up 0.1pt. CPDEV 25/26/Perp were 0.1-0.4pt higher. ZHHFGR '25 was down 0.2pt. BJCONS/CHDXCH 26s were 0.2pt lower. In SOE perps, CHPWCN/HUANEN Perps were down 0.1-0.2pt. In the high beta names, ZHONAN '25/SUNSHG '26 were up 0.1-0.2pt. TIANFS '26 was 0.2pt lower.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
LNGFOR 4 1/2 01/16/28	76.8	2.6	WESCHI 4.95 07/08/26	74.0	-0.8
LNGFOR 3.85 01/13/32	62.6	1.9	LMRTSP 7 1/2 02/09/26	99.1	-0.6
LNGFOR 3.95 09/16/29	69.0	1.7	GRNLGR 7 3/4 06/25/28	11.2	-0.6
LNGFOR 3 3/8 04/13/27	77.7	1.7	MDLNIJ 5 06/30/25	42.3	-0.5
CKINF 4.85 PERP	87.5	1.1	GRNLGR 7 3/4 09/26/29	11.4	-0.5

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.15%), Dow (+1.14%) and Nasdaq (+1.47%) rallied higher on last Friday. US Jul'24 new home sales was +739k, higher than the expectation of +624k. UST yields retreated on Friday, 2/5/10/30 yield reached 3.90%/3.65%/3.81%/4.10%.

❖ Desk analyst comments 分析员市场观点

➤ LNGFOR: Weaker but better-than-peers 1H24 results; maintain buy on LNGFORs

Security Name	ISIN	Amt Out (USD mn)	Ask Price	YTM (Ask)	Rating (M/S/F)
LNGFOR 3 ¾ 04/13/27	XS2098539815	250	76.3	14.6	Ba2/BB+/BBB-
LNGFOR 4 ½ 01/16/28	XS1743535491	500	74.7	14.2	Ba2/-/BBB-
LNGFOR 3.95 09/16/29	XS2033262895	850	67.6	12.9	Ba2/BB+/BBB-
LNGFOR 3.85 01/13/32	XS2098650414	400	61.1	11.9	Ba2/BB+/BBB-

Source: Bloomberg.

Longfor released a yoy weaker while better-than-peers 1H24 results. That said, we take comfort that the continued growth of Longfor's non-property development segments, i.e. investment property operation and services, partly offset the impact of notable weaker property sales. The growing and recurring contribution from higher-margin non property development operations will support gradual recovery of cash flow and margin from current levels. We take additional comfort with Longfor's prudent financial management and debt reduction plan. It has been refinancing its debts with long-term operating loans through making uses of its maturing investment properties. We continue to consider Longfor a survivor of the sector given its manageable debts maturities, steadily growing recurring revenue and availability of maturing IPs for secured financing. We maintain buy on LNGFORs.

RMB mn	1H23	1H24	% change
Revenue	62,044	46,855	-24.5%
-Property sales	49,869	33,758	-32.3%
-Non property sales	14,797	15,723	6.3%
Gross profit	13,900	9,640	-30.6%
Profit before tax	12,375	9,131	-26.2%
Recognized GFA (mn sqm)	3.8	3.0	-21.0%
Recognized ASP/sqm (RMB)	13,014	11,145	-14.4%
Gross margin	22.4%	20.6%	-
-Property sales	14.3%	7.4%	-

-Non property sales	45.7%	45.4%	-
Source: Company fillings.			

In 1H24, Longfor's revenue decreased 24.5% yoy to RMB46.9bn and gross margin dropped to 20.6% from 22.4% in 1H23, mainly dragged by weak performance of property development segment. During 1H24, Longfor's sell-through rate decreased to c60% from c70% in 1H23 and attributable contracted sales fell 47% yoy to RMB34.8bn from RMB65.6bn in 1H23. The revenue of property development segment was down 32.3% yoy to RMB33.8bn and the gross margin halved to 7.4%. We expect Longfor's FY24 attributable contracted sales to be cRMB90bn.

On the bright side, Longfor's non-property development segments maintained growth momentum that the revenue increased 6.3% yoy to RMB15.7bn with a stable gross margin of 45.4%. The non-property development businesses contributed 74.1% of Longfor's 1H24 gross profit, i.e. RMB7.1bn, higher than percentage of 48.7% in 1H23. As of Jun'24, Longfor had 91 malls in operation and over 50 planned malls. Longfor expected to open 10 malls in 2H24 and another 10 malls in FY25 to reach the goal of over RMB10bn net profit p.a. from non-development segments in the next years. The growing contribution from non-property development operations will help support its gross margin to gradually recovery from the 1H24 level. We take additional comfort that Longfor has tightened the investment criteria for new developments, focusing on T1 or strong T2 cities and gross margin of at least 15-20%.

RMB mn	Dec'23	Jun'24	% change
Cash	59,224	48,916	-17.4%
-Cash in escrow	22,800	19,200	-15.8%
ST debts	28,508	30,940	8.5%
LT debts	178,970	170,593	-4.7%
Total debts	207,478	201,532	-2.9%
Net gearing	62.7%	63.0%	
Cash/ST debts	2.1x	1.6x	
Adj. liab/assets	60.4%	58.6%	

Source: Company fillings.

Longfor's credit profiles remained stable. As of Jun'24, Longfor's total debts (incl. lease liabilities) slightly decreased 2.9% yoy to RMB201.5bn from RMB207.5bn in Dec'23. The average debt tenor extended to 9.19 years from 7.85 years in FY23 and average financing cost reduced to 4.16% from 4.24% in FY23. Additionally, Longfor's IPs could provide additional liquidity of cRMB30bn through secured operating property loans of which the tenor is typically 15yr and funding cost is below 4%. Looking ahead, Longfor plans to decrease debts of cRMB12-15bn in 2H24 and another cRMB20bn in FY25 to cut the total debts to cRMB150bn (excl. lease liabilities) at the end of FY25.

Longfor's debt maturities are manageable in the near term. As of Jun'24, Longfor had cRMB16bn maturities due before Jun'25, including cRMB9bn onshore bonds and cRMB7bn offshore syndicated loans. The company had prepared funds for maturities before Dec'24 and plans to early repay other maturities due in 1H25. As of Aug'24, the outstanding amount of Longfor's offshore USD bonds was USD2bn while Longfor had repurchased cUSD700mn of USD bonds. The next USD bond maturity will be Apr'27. We expect Longfor to conduct more repurchases of its USD bonds.

- **WB: Slight improvement in EBITDA margin in 1H24 with cost control despite decline in revenue. Maintain buy on WB 3.375 07/08/30**

USD mn	1H23	1H24	yoy change
Net revenue	854	833	-2.4%
-Advertising and marketing revenues	741	714	-3.6%
- Non-Ali advertisers	696	659	-5.3%
- Alibaba as an advertiser	45	55	22.0%

-Value-added services revenues	113	119	5.4%
Adjusted EBITDA	298	293	-1.4%
Profit for the period	189	165	-12.7%
Operating cash flow	323	272	-15.9%
Capital expenditure	22	32	48.8%
EBITDA margin	34.8%	35.2%	0.4 pct pt
Net profit margin	22.1%	19.8%	2.3 pct pt
Monthly active users (MAUs, mn)	599	583	-2.7%
Average daily active users (DAUs, mn)	258	256	-0.8%
DAU/MAU	43.1%	43.9%	0.8 pct pt

	Mar'24	Jun'24	Change
Cash and short-term investment	3,252	2,838	-12.7%
ST debts	800	800	0.0%
LT debts	1,855	1,857	0.1%
Total debts	2,655	2,657	0.1%
Net cash (Cash - ST inv - total debt)	598	181	-69.7%
Cash/ST debts	4.1	3.5	-

Source: Company filling, CMBI Research.

Weibo (WB)'s net revenue dropped by 2% yoy in 1H24 compared to 1H23 to USD833mn, mainly due to 5% decrease in advertising and marketing revenue from non-Alibaba advertiser. Value-added services revenue continued to grow by 5%, driven by growth of revenues from membership services. Adjusted EBITDA margin increased by 0.4 pct pt to 35.2% in 1H24, attributable to lower cost of revenue with lower personnel related cost, as well as lower product development and admin costs. Net profit margin, on the contrary, decreased by 2.3 pct pt to 19.8% due to higher investment and other losses.

WB is reinforcing its strength in hot trends and vertical content ecosystem to drive higher user engagement and acquisition of high quality users. Despite the decrease in monthly and average daily users in 1H24 compared to 1H23, the user engagement is higher based on the ratio of daily user to monthly user. However, the higher user engagement is yet to translate into monetary terms in 1H24 under the backdrop of weak consumption sediment.

WB's cash and short-term investment was USD2.8bn as of Jun'24, a decrease of 13% from Mar'24. Its net cash position dropped by 70% to USD181mn and the cash/ST debts ratio also dropped to 3.5x. The decline in net cash balance mainly due to lower operating cash flow and higher capex spent during 1H24. Besides, the non-current assets balance of USD1.3bn as of Jun'24 compared to USD1bn at Mar'24 shall also lead to the lower cash balance. Majority of the non-current assets were investment-related deposits as well as loans to and interest receivables from related parties, per 2023 annual report. That said, we view the WB's liquidity position remain abundant, supported by the net cash position as of Jun'24.

We have buy recommendation on WB 3.375 07/08/30 (Baa2/BBB-), in view of WB's net cash position, albeit lower, as well as its solid credit profile. WB has WB 3.375 07/08/30 of USD750mn maturing in Jul'30, and a CB of USD330mn puttable in Dec'27. The refinancing pressure of WB in the near term therefore is low, in our view. At 90.2, WB 3.375 07/08/30 is trading at YTM of 5.4% and Z-spread of 204bps. In Chinese TMT space, we also have buy recommendations in TENCNT 2.39 06/03/30, TENCNT 2.88 04/22/31, MEITUA 3.05 10/28/30, MEITUA CBs, and XIAOMI CB. Meanwhile, we are neutral on XIAOMI 3.375 04/18/30 and XIAOMI 2.875 07/14/31.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Jinan Financial Holdings	USD	-	3yr	6.7%	-/-/-
Jingzhou Municipal Urban	USD	-	3yr	7.0%	-/-/BBB-

➤ News and market color

- Regarding onshore primary issuances, there were 108 credit bonds issued last Friday with an amount of RMB64bn. As for month-to-date, 1,641 credit bonds were issued with a total amount of RMB1,561bn raised, representing a 15.3% yoy increase
- [ABMMIJ]** Fitch affirmed ABM Investama's B+ rating with stable outlook
- [CHINSC]** China SCE expected 1H24 loss to widened to RMB3.5-3.8bn from RMB1.1bn in 1H23
- [DALWAN]** Media reported that Dalian Wanda denied sale of Hangzhou Gongshu Wanda Plaza
- [FAEACO]** Media reported that Far East Consortium scrapped plan for USD bond issue to refi perps but plans to launch consent solicitation
- [GRNCH]** Greentown China 1H24 revenue rose 22.1% yoy to RMB69.6bn while pre-tax profit down 34.7% yoy to RMB4.7bn
- [LVGEM]** LVGEM (China) Real Estate Investment expected 1H24 loss to widen to RMB1.6bn from RMB580mn in 1H23
- [SHLTIG]** Fitch affirmed Chengdu Aerotropolis City Development's BB+ rating with stable outlook
- [SINOPE]** Sinopec 1H24 revenue down 1.1% yoy to RMB1.58tn and operating profit down 5% yoy to RMB51bn
- [SLSCCI]** Fitch affirmed Chengdu Airport Xingcheng's BB+ rating with stable outlook
- [TPHL]** Times China expected 1H24 loss to widen to RMB2.8-3.2bn from RMB1.7bn in 1H23

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