

## CMBI Credit Commentary

### DALWAN: Q&As on the consent solicitation

#### What are the key terms of the consent solicitation?

Dalian Wanda Commercial Management (DWCM) launched a consent solicitation to extend the final maturity on DALWAN 7.25 01/29/24 (o/s amount USD600mn) for 11 months to 29 Dec'24. The bonds will be subject to mandatory redemptions of 10% on 5 Jan'24, 20% on 29 May'24 and 30% on 29 Sep'24. The early consent fee is USD1 and early consent deadline will be on 29 Nov'23. The approval threshold will be a meeting quorum with holders of not less 66% in principal amount and at least 50% votes in favour of the consent. The extension of final maturity for 11 months will leave DALWAN 7.25 01/29/24 to be repaid in full prior to DWCM's next USD bond maturity on 20 Jan'25. Please see Table 1 on p.3.

#### What are the major moving parts of DWCM's funding plan?

We believe that DWCM is locked in a "circular" situation in which the approval of the IPO of Zhuhai Wanda Commercial Management (ZWCM), the amendment of the put of pre-IPO investments, the issuance of onshore bonds.... are dependent upon each other. To illustrate, to secure the approval for IPO and issuance of onshore bonds, DWCM needs to amend the put of pre-IPO investments (cRMB46bn, or USD6.4bn by FYE23). To convince the pre-IPO investors to accept the amendments on the put, DWCM needs to extend maturity of DALWAN 7.25 01/29/24 such that the pre-IPO investors will not feel they are in a disadvantageous position in the repayment order. We believe that maturity extension of DALWAN 7.25 01/29/24 will be the first step to unwind the intertwinements. Another key to persuade pre-IPO investors is to ring-fence the operations of DWCM and ZWCM from those of Dalian Wanda Group. We believe that the regulatory approval for IPO and onshore bond issuance will only be back on track after the concerns on default risk resulting from the put of pre-IPO investments is relieved.

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### Why extending the maturity of 1 bond, not holistic liability management exercises?

In our view, DWCM is facing liquidity rather than solvency issues. The key is to convince pre-IPO investors to amend the put. The put amendment should help relieve DWCM's near-term liquidity pressure. DWCM is a mall operator instead of a residential developer. It has strong and recurring cash flows even the sale recovery of residential properties remains lackluster. DWCM's LTM (ended Sep'23) revenue was cRMB51.7bn (cUSD7.2bn). Majority of this was recurring rental and management income and gross margin was 63%. DWCM's offshore maturity is also way more manageable than many residential property developers. Its total o/s USD bonds is USD1.4bn, with maturities evenly distributed from 2024 to 2026. This is much smaller than that of developers undergoing holistic restructuring such as COAGRD (USD10.8bn, including 2 CBs), CIFI (USD4.1bn), Sino-Ocean (USD3.9bn, excluding SINOCL), etc.

### What is our view on the consent solicitation?

The maturity extension appears to be inevitable as the deadline for the put of pre-IPO investments is approaching. Nonetheless, going back to our database, the 10pts (excluding 1pt consent fee) cash payment prior to the original maturity should be the one of most "generous" in China property sector so far. We still believe that DWCM is in a better position to weather through the current tight liquidity situation than many residential developers. DALWAN '24 fell 10.2pts post consent announcement and further lowered 1.6pts this morning. DALWAN' 25-26s dropped 3.0-6.3pts yesterday and were largely unchanged by noon.

### FV estimates of DALWAN 7.25 01/29/24

	Discount rate				
	15%	20%	25%	30%	35%
Assuming payment in full by Dec'24	97.9	94.8	91.9	89.2	86.7
Assuming only first 3 instalments will be paid	62.3	60.8	59.4	58.1	56.8
Assuming only first 2 instalments will be paid	32.9	32.5	32.0	31.6	31.2

**Table 1: Summary of consent solicitation**

Bond	DALWAN 7.25 01/29/24
Outstanding amt	USD600mn
Original maturity	01/29/24
Maturity extension	By 11 months to 12/29/24
Mandatory redemption	
-5 Jan'24	10%
-29 May'24	20%
-29 Sep'24	30%
-29 Dec'24	40%
Early consent fee	USD1
Base consent fee	USD0.25
Early consent deadline	29 Nov'23
Electronic consent deadline	29 Nov'23
Voting deadline	8 Dec'23
Bondholders' meeting	13 Dec'23
Consent condition	Meeting shall be quorate if two or more persons representing not less than 66% of the aggregate principal
	Extraordinary resolution shall be implemented if a majority of at least 50% of the votes cast at the meeting are in favor of the resolution

Source: Company filing.

**Table 2: Bond profile of DALWAN**

Security name	Amt O/s (USDmn)	Ask price	YTM (ask, %)	Rating (M/S/F)
DALWAN 7.25 01/29/24	600	64.98	294.73	Caa3/-/CC
DALWAN 11 01/20/25	400	38.96	122.12	Caa3/-/CC
DALWAN 11 02/13/26	300	32.28	81.23	Caa3/-/CC

Sources: Bloomberg.

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