

CMBI Credit Commentary – FOSUNI

FOSUNI: Change recommendations on FOSUNIs to Hold from Buy

We change our recommendation of FOSUNIs to Hold from Buy. We expect that Fosun can meet its offshore bullet maturities over next 6-12 months by internal resources and asset disposal, i.e. management expects to complete Meadowbrook Insurance Group disposal and receive USD 740mn cash by end-2022. That said, we see little catalyst for FOSUNIs to outperform given its relatively high ST debt level, and a prolonged offshore bond market weakness towards Chinese POEs. Indeed, we expect a negative rating action from S&P after interim results in August 2022, subsequent to the Moody's recent negative rating action.

RMB50bn, i.e. 45% of Holco debts of RMB112.2bn as of Dec'2021 are short-term debt. 55% and 60% of its holdco debts were public bonds and offshore debts, respectively. These renders Fosun subject to ongoing refinancing requirements in both onshore and offshore loans and capital markets.

Having said that, as at 31 Dec' 2021 Fosun had RMB 10.6bn cash and RMB 36bn liquid financial investments at holdco, this can serve as liquidity sources for its short-term debt repayment. We also understand that as at 31 Mar '2022, cash balance at Holdco has increased moderately, after Fosun received operating loans based on 40%-50% LTV of the Bund Finance Center. Fosun paid out RMB 6.342bn cash to acquire 50% stake in Bund Finance Center before 31 Dec '2021. We understand that Fosun identified over RMB50bn in market value non-core/financial assets for disposals. Majority of these assets are unencumbered.

Fosun has also leveraged its good banking relationships to obtain more bank loans. In Mar '2022, Fosun International refinanced its maturing syndication loan (USD 660mn) with a new syndication loan of (USD 870mn, 3-year bullet, at 70bps lower all-in interest margin). For its upcoming offshore bonds maturity in 2H2022, Fosun has arranged for new bank loan of USD 200mn – USD 300mn to refinance puttable bond on 17 Aug'22 (USD 379.8mn) and Euro bond due on 9 Oct 2022 (EUR 382mn).

Fosun's good banking relationship also support its onshore bond issuance, this is because Chinese banks and asset managers represent large bond investors onshore. Although Fosun could only refinance its onshore bonds due with short-term notes in 2022 year-to-date, we expect that the company can continue to issue new notes to refinance upcoming onshore maturities. We note that 2 onshore puttable bonds (21 复星 05 and 20 复地 02 for aggregate RMB 2.66bn) did not put back to Fosun in Mar and Jun '2022. Fosun's large asset base supports its good banking relationship. Fosun International reported top 20 holdings of subsidiaries and investment with an effective market value of RMB 126.7bn as of 31 Dec' 2021. If necessary, Fosun can also use its unencumbered assets/shares for credit enhancement. For an upcoming onshore bond of its

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subsidiary Forte Land (RMB 3bn) puttable on 17 July 2022, Fosun has prepared to refinance it with a bank loan obtained with Shanghai Yuyuan's share as pledge.

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