招銀国际
CMB INTERNATIONAL

Fixed Income
Credit Commentary

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CMBI Credit Commentary

Yanlord - Weaker results but progresses in refinancing

Maintain buy on YLLGSP’26

We consider Yanlord a “survivor” in the Chinese sector given its more resilient operating performance and manageable debt maturities. Subsequent to the full repayment of YLLGSP’24 yesterday, Yanlord’s only outstanding offshore bond is YLLGSP’26 due May’26. Furthermore, Yanlord’s IPs in Singapore should offer it an alternative liquidity source if needed. YTD, YLLGSP’26 had moved 13pts higher under the backdrop of more supportive regulatory environment. At 73.8, YLLGSP’26 is trading at YTM of 20.4%. YLLGSP’26 continues to offer a good risk and return profile, in our opinion. We maintain Buy on YLLGSP’24 and ’26.

	O/S (USD mn)	Maturity	Coupon	Offer price	YTM (%)
YLLGSP 5 1/8 05/20/26	500.0	5/20/2026	5.13%	73.8	20.4%

Source: Bloomberg.

More resilient operating performance than that of peers

RMB mn	2022	2023	% change
Revenue	28,712.3	43,395.4	51.1%
Property sales	*24,723.1*	*38,138.2*	54.3%
Non property sales	*3,989.2*	*5,257.2*	31.8%
Gross profit	7,751.8	8,287.1	6.9%
Profit before tax	5,448.6	3,053.2	-44.0%
Recognized GFA, incl JVs and associates (mn sqm)	1.7	1.5	-14.8%
Recognized ASP/sqm (RMB), excl car parks	38,455.0	42,833.0	11.4%
Gross margin	27.0%	19.1%	

Source: Company fillings.

In FY23, Yanlord posted 51.1% and 6.9% increase in revenue and gross profit, respectively but 44.0% decline in profit before tax (PBT). The increase in recognized ASP was more than offset by lower GFA delivered and lower margin of projects delivered, leading to the significant decline in PBT. The lower margin in FY23 reflected the change in product mix given the high margin of 3 projects in T1/2 cities (Shenzhen, Nanjing and Suzhou) delivered in FY22, and the impairment losses of its development projects in FY23. As per Yanlord, the gross margin of Yanlord would be c22% in FY23 on a pro-forma basis if the impairment losses were excluded. Yanlord’s profit margin remains on the high side of the sector. The company previously guided its gross margin for property developments to maintain at c20%. Yanlord continues to demonstrate a more resilient operating performance than most of the peers under our radar.

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Soft tone on sales guidance

In FY23, Yanlords' full year contract sales were RMB32.4bn, missing the target of RMB45-50bn. Yanlord did not announce contract sales in Jan'24 but according to CRIC, Yanlord's contract sales in Jan'24 increased 64% yoy to cRMB1.5bn. It was the only developer under our radar recorded yoy growth in Jan'24. During the analyst briefing this morning, Yanlord sounded out a soft tone on sales outlook and did not provide a sales target for FY24. According to Yanlord, its saleable resources in FY24 will be cRMB60bn. Assuming it can achieve a sell-through rate of 50-60% (c60% in FY23), its contact sales in FY24 would be RMB30-36bn.

Notable progress in refinancing and debt reduction

RMB bn	Dec'22	Jun'23	Dec'23
Cash	20,716.1	19,513.5	13,022.5
Cash in escrow	8,500.0	7,000.0	4,900.0
ST debts	16,688.2	17,824.6	12,660.7
LT debts	29,243.6	23,308.9	20,974.2
Total debts	45,931.8	41,133.5	33,634.9
Net debts	25,215.7	21,620.0	20,612.4
Net gearing	55.6%	46.9%	47.1%
Cash/ST debts	1.2x	1.1x	1.0x
Adj. liab/assets	66.0%	64.2%	64.0%

Source: Company fillings.

Yanlord continued to cut net debts (including shareholder's loan at NCI level), as well as to improve key leverage and coverage ratios. Over the past 6-9 months, Yanlord had significant progresses in managing its near-term maturities. In addition to the repayment of YLLGSP'24 (o/s cUSD360mn) yesterday, it partly repaid and partly rolled over the syndicated loans of USD600mn. Yanlord's only outstanding offshore bond is YLLGSP'26 (o/s USD500mn) due May'26. We believe that its cash on hand, access to funding channels and collection of remaining proceeds from property sales in Singapore should adequately cover the near-term maturities. We take additional comfort from its ownership of a portfolio of IPs in Singapore. The book value of these IPs is book value of cRMB10bn and LTV ratio against these is below 30%. The unencumbered value of its Singapore IPs is a potential source of offshore liquidity, if needed.

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