

CMBI Credit Commentary

Languang: Near-term liquidity pressure eases

LGUANG 01/22 89.5/90.75; LGUANG 06/22 87.125/88.625

Languang (LQUANG, B+/B1 stable outlook by S&P/Moody's) held an offshore fixed income investor call yesterday. Management guided 1) company expects to receive ~RMB4.9bn cash proceeds by 20 April 2021 from divestment of Languang Justbon (2606.HK) and ~RMB500mm by May 2021 from sale of Dikang Pharmaceutical; 2) RMB 1.99bn cash deposits received from Country Garden Services (6098.HK) is currently kept offshore; 3) company is considering offshore bonds buyback; 4) 2021 sales targets of RMB115bn with cash collection of RMB 70bn; 5) land acquisition will be capped at 30% of cash collection. We believe its subsidiaries disposal, if completed within its guided timeline, is positive to the developer's liquidity position and helps alleviate its refinancing pressure in 2021.

Languang expects to receive RMB 5bn from disposing its subsidiaries by May 2021, in the run-up to its lumpy maturity (~RMB 9bn) in 3Q2021.

By end-2020, we assess the company's cash/ST debts has improved to 1.3x from 1.1x, with a cash balance of RMB29.7bn. The additional cash proceeds of RMB 5 billion scheduled to receive by May 2021 will alleviate Languang's refinancing pressure in 3Q2021. In 3Q2021, Languang has maturity of ~RMB3bn onshore bonds, ~RMB1.3bn offshore bonds, and ~RMB4bn other financings (i.e. non-standard borrowings).

In addition, we draw some comfort from LGUANG's recent issuance of an RMB1bn MTN onshore, despite tight onshore funding condition.

Prudent land investment will help its debt reduction. Management guides its land investment will be capped at 30% of cash collection (RMB70bn), indicating ~RMB21bn in land acquisition (~RMB31bn in 2020). With that, management guides its net gearing will lower to 85-90% by end-2021, around 100% in 2020.

Polly Ng 吴宝玲

(852) 3657 6234
pollyng@cmbi.com.hk

Wilson Lu 路伟同

(852) 3761 8918
wilsonlu@cmbi.com.hk

CMBI Fixed Income

fis@cmbi.com.hk

We think Languang can sacrifice land purchase in 2021, after its large landbank's replenishment in 2020. We estimate its current landbank lifespan can support 2.5x - 3x of contracted sales.

Contracted sales performance is the most important credit driver. If Languang can maintain its good contracted sales traction in the coming months, this should provide more liquidity buffer to the company amid its refinancing need. Languang reported strong contracted sales in 2M2021, with gross sales of RMB16bn (+105% yoy) and cash collection of RMB10bn. Total sale-able resources is guided to be ~RMB180bn with sell-through ratio of 65% and cash collection ratio of 85%.

LGUANG's maturity Schedule

Languang Development (LGUANG, 600466.SH)						
<i>in millions</i>		2021/1/1 RMB	Rate	Maturity	Put-table Date	Notes
Onshore Corporate Bonds						
16LanguangMTN001	18藍光M TN 001	700.0	5.90%	2021/1/28		Repaid
18LguangMTN001	18藍光M TN 001	1,000.0	7.80%	2021/3/15	2021/3/15	Repaid
19Lguang01	19藍光01	1,100.0	7.50%	2022/3/19	2021/3/19	Repaid
18Lguang06	18藍光06	30.0	7.50%	2021/4/27		
18Lguang07	18藍光07	600.0	7.90%	2021/5/29		
19LguangMTN001	19藍光M TN 001	900.0	7.50%	2021/7/11		
19Lguang02	19藍光02	1,100.0	7.50%	2021/7/23	2021/7/23	
20LguangCP001	20藍光CP001	700.0	6.50%	2021/7/29		
16LguangMTN003	16藍光M TN 003	280.0	7.50%	2021/8/12		
16Lguang01	16藍光01	1,181.2	7.40%	2021/9/14		
19Lguang08	19藍光08	300.0	7.50%	2022/12/13	2021/12/13	
20Lguang02	20藍光02	750.0	7.15%	2023/3/16	2022/3/16	
19Lguang04	19藍光04	300.0	7.00%	2022/8/6		
20LguangMTN002	20藍光M TN 002	1,000.0	7.00%	2022/8/29		
20LguangMTN003	20藍光M TN 003	1,500.0	7.00%	2022/10/26		
19Lguang07	19藍光07	400.0	7.50%	2022/11/22		
21LanguangMTN001	21藍光M TN 001	1,000.0	7.20%	2023/3/11		Issued in 2021
20LguangMTN001	20藍光M TN 001	500.0	7.20%	2023/5/11		
20Lguang04	20藍光04	800.0	7.00%	2023/7/31		
Total Onshore Corporate Bonds		13,141.2				
Offshore Corporate Bonds						
LGUANG 9 03/04/2021		469.8	9.00%	03/04/2021		Repaid
LGUANG 12 04/25/2021		2,706.5	12.00%	04/25/2021		
LGUANG 8.85 01/10/2022		1,934.7	8.85%	01/10/2022		
LGUANG 11 06/04/2022		2,902.1	11.00%	06/04/2022		
LGUANG 10.4 03/09/2023		1,934.7	10.40%	03/09/2023		
Total Offshore Corporate Bonds		9,947.9				

CMB International Securities Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

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