# CMBI Credit Commentary

## Yanlord: Weak 1H24 results but manageable liquidity

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### A survivor of the sector; buy on YLLGSP'26

Yanlord posted notably weaker 1H24 results as expected and sounded out a cautious tone on outlook. That said, we continue to view Yanlord a "survivor" in the Chinese property sector given its focus on higher tier cities, the financial flexibility offered by its IP portfolio and manageable debt maturity profile. The refinancing pressure of Yanlord has considerably alleviated through various funding activities. After the repayment of YLLGSP 6.8 02/27/24 in Feb'24, Yanlord has only 1 outstanding offshore bond, i.e YLLGSP 5.125 05/20/26 due May'26. YTD, YLLGSP 5.125 05/20/26 moved 30pts higher. At 90.0, YLLGSP 5.125 05/20/26 is trading at YTM of 11.6%. The bond, in our opinion, still offers a good risk and return profile. We maintain buy on YLLGSP 5.125 05/20/26.

| | O/S (USD mn) | Maturity | Coupon | Offer price | YTM (%) |
|---|---|---|---|---|---|
| YLLGSP 5 1/8 05/20/26 | 500.0 | 5/20/2026 | 5.125% | 90.0 | 11.6% |

*Source: Bloomberg.*

### Weaker but more resilient operating performance

| RMB mn | 2022 | 2023 | 1H23 | 1H24 | % change |
|---|---|---|---|---|---|
| Revenue | 28,712.3 | 43,395.4 | 14,805.8 | 19,953.2 | 34.8% |
| *-Property sales* | *24,723.1* | *38,138.2* | *12,284.1* | *17,488.4* | 42.4% |
| *-Non property sales* | *3,989.2* | *5,257.2* | *2,521.6* | *2,464.8* | -2.3% |
| Gross profit | 7,751.8 | 8,287.1 | 4,159.1 | 2,618.6 | -37.0% |
| Profit before tax | 5,448.6 | 3,053.2 | 2,870.6 | 1,049.9 | -63.4% |
| Recognized GFA, incl JVs and associates (mn sqm) | 1.7 | 1.5 | 0.7 | 0.6 | -23.9% |
| Recognized ASP/sqm (RMB), excl car parks | 38,455.0 | 42,833.0 | 27,288.0 | 32,724.0 | 19.9% |
| Gross margin | 27.0% | 19.1% | 28.1% | 13.1% | |

*Source: Company fillings.*

Yanlord reported notably weaker 1H24 results, driven by lower GFA delivered. Despite the higher recognized ASP resulting from change in product mix (more recognized sales from higher tier cities), its gross margin lowered to 13.1% compared 19.1% in FY23 and 14.4% in 2H23, reflecting the weak operating environment and impairment losses of completed properties. Adjusted for the non-cash impairment losses, its gross margin in 1H24 would be 16.8%, compared 19.5% in FY23 and 22.4% in 2H23. Yanlord guided gross margin for property developments to be 10-15% in FY24. Notwithstanding the weakened 1H24 results, The operating performance of Yanlord has been consistently more resilient than that of most of its peers given its focus on higher tier cities and prudent land acquisitions. Its gross margin remains on the high side of the sector.

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### Cautious on sales outlook

Yanlord's contract sales dropped 51.6% yoy to RMB10.3bn in 1H24. It has saleable resources of RMB28bn and will add new saleable resources of RMB10-15bn for the rest of the year, depending on sales momentum. During the investors' call, the management sounded out a cautious tone on sales outlook. Yanlord does not provide a sales target for FY24. Assuming it can achieve a sell-through rate of 30-40% (c60% in FY23) in 2H24, its FY24 contact sales will be RMB22-26bn, compared with RMB32.3bn in FY23.

### Lower debts and alleviated refinancing pressure

| RMB bn | Jun'23 | Dec'23 | Jun'23 | Jun'24 |
|---|---|---|---|---|
| Cash | 19,513.5 | 13,022.5 | 19,513.5 | 10,694.1 |
| *Cash in escrow* | 7,000.0 | 4,900.0 | 7,000.0 | 4,000.0 |
| ST debts | 17,824.6 | 12,660.7 | 17,824.6 | 7,193.4 |
| LT debts | 23,308.9 | 20,974.2 | 23,308.9 | 23,084.4 |
| Total debts | 41,133.5 | 33,634.9 | 41,133.5 | 30,277.8 |
| Net debts | 21,620.0 | 20,612.4 | 21,620.0 | 19,583.7 |
| Net gearing | 46.9% | 47.1% | 46.9% | 45.7% |
| Cash/ST debts | 1.1x | 1.0x | 1.1x | 1.5x |
| Adj. liab/assets | 64.2% | 64.0% | 64.2% | 63.0% |

*Source: Company fillings.*

In 1H24, Yanlord refinanced o/s offshore syndicated loans of USD300mn, helped by cUSD100mn loans from the chairman and repaid YLLGSP 6.8 02/27/24 (o/s USD360mn at maturity in Feb'24), funded with additional loans against its IPs in Singapore. It also obtained new operating loans totaled RMB3bn to refinance the CMBS against Tianjin mall and operating loans against Suzhou IPs. These had lengthened its maturity profile and lower its funding costs. Its average funding costs further declined from 5.6% in Dec'23 to 5.1% in Jun'24. Additionally, Yanlord continued to cut net debts (including shareholder's loan at NCI level), as well as maintain stable key coverage ratios. We take additional comfort from its ownership of IP portfolio. The book value of these IPs is RMB35bn, including cRMB11bn in Singapore. The overall LTV of these IPs is c35%. Assuming a LTV of 50%, the headroom for additional collateral financing against its IPs would be cRMB5bn. Its cash on hand and ability to access to funding channels should support an adequate liquidity profile.

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