

CMBI Credit Commentary

Fixed Income Daily Market Update 固定收益部市场日报

The Asset Asian G3 Bond Benchmark Review 2023

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- *Active flows on new issues this morning, CATLIF'39 tightened c7bps, FRESHK'28 widened c2bps, KNBZMK'29/34 were 1-2bps wider. CHJMAOs moved -0.3 to +0.6pt post 1H24 results. See comments below.*
- *BTSDf: Stronger operating cash flow supported by effective destocking; change to buy on BTSDf 13.5 06/26/26 from neutral. See comments below.*
- *MEITUA: Net profit doubled in 1H24 under strong growth momentum in all segments. Maintain buy on MEITUA CBs. See comments below.*

❖ Trading desk comments 交易台市场观点

Yesterday, the new BOCAVI 31s widened 2bps from RO (CT10+95). CATLIF priced the new USD320mn 15NC10 T2 at CT10+150. The old CATLIF 34s tightened 3bps. In KR, KRKPSK 27/29 widened 2-5bps. In Chinese IGs, HAOHUA '29/TENCNT '30 were 1bp tighter. MEITUA 30s tightened 3bps post better-than-expected 1H24 results. See our comments below. LENOVO/WB 30s also tightened 1-3bps. In regional financials, BBLTB/KBANK T2s tightened 3-5bps. ANZLNZ/NAB/MQGAU T2s were 1-4bps tighter. In AT1s, BNP 8 Perp/UBS 7.75 Perp were 0.2-0.3pt higher. In HK, CKINF Perps were up another 0.2-0.4pt, closed 1.0-1.2pts higher WTD. In Chinese properties, CHJMAO 6 Perp/CHJMAO '29 were up 0.4-0.5pt and the rest of CHJMAOs were unchanged to 0.2pt higher. See our credit comments on Jinmao's 1H24 results. GRNCH 2.3 '25 rose 1.1pts to 99.1 following the tender offer at par. FUTLAN '25/VNKRLE '25/LNGFOR '29 were 0.5-0.6pt higher. Outside properties, HILOHO '24 rose 0.4pt, EHICAR 26/27 declined 0.4-0.5pt. Meanwhile BTSDf '26 (callable 26 Jun'25) closed unchanged following the 1H24 results. See comments on H&H 's 1H24 results below. In Macau gaming, SJMHOL 26/28 were up 0.1-0.2pt. See our comments on 28 Aug '24. In Philippine, SMCGL Perps closed 0.2pt higher following the concurrent exchange and tender offers. Pls see our comments on 28 Aug '24. In India, UPLLINs rose 0.6-0.8pt. ADANEMs/ADSEZs/ADGREGs/ARENrJs were also 0.3-0.8pt higher. In Indonesia, MDLNIJ '27 lowered 0.4pt.

In LGFVs, the new GZUIHG '27 was 0.5pt higher from RO at par. The new JZMUNU '27 rose another 0.5pt higher to 101. QDJZWD 25/27 were 0.1-0.2pt higher. WUECDE '24 was up 0.2pt. In the high beta names, FRESHK

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priced the USD550mn 3.5-yr bond at CT3+235 (99.372) to yield 6.077%. FRESHKs were unchanged to 0.1pt lower. ZHONAN '25/SUNSHG '26 were 0.2-0.3pt lower. In SOE perps, CHPWCN 3.08 Perp/SPICPF 3.38 Perp were up 0.1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GRNCH 2.3 01/27/25	99.1	1.1	INDON 3.2 09/23/61	69.6	-0.6
ADSEZ 5 08/02/41	83.8	0.8	INDON 4.35 01/11/48	91.5	-0.5
UPLLIN 5 1/4 PERP	74.9	0.8	EHICAR 7 09/21/26	73.9	-0.5
ADANEM 3.867 07/22/31	86.3	0.8	MDLNIJ 5 04/30/27	32.5	-0.4
UPLLIN 4 5/8 06/16/30	84.7	0.7	EHICAR 12 09/26/27	78.6	-0.4

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.60%), Dow (-0.39%) and Nasdaq (-1.12%) retreated on Wednesday. UST yields remained stable yesterday, 2/5/10/30 yield reached 3.83%/3.63%/3.84%/4.13%.

❖ Desk analyst comments 分析员市场观点

➤ CHJMAO: A stand-out player in the sector

Prefer CHJMAO 6 PERP and CHJMAO 4.25 07/23/29

Security Name	ISIN	o/s amount (USD mn)	Ask Price	YTM/YTC (Ask)	Next Call Date	Coupon Reset
CHJMAO 4.4 03/04/25	XS2451285253	350	98.9	6.7%	-	-
CHJMAO 3.2 04/09/26	XS2208935374	600	92.7	8.1%	-	-
CHJMAO 4 1/4 07/23/29	XS2030348903	500	79.0	9.7%	-	-
CHJMAO 6 PERP	XS2292974065	500	92.1	12.1%	8/2/2026	5yrUST+5.584
CHJMAO 7 1/8 PERP	XS2082952172	400	100.0	6.8%	6/12/2024	5yrUST+5.539

Source: Bloomberg.

China Jinmao (Jinmao) stands out from most of the peers in the Chinese property sector with a substantial rebound of core profit in 1H24, thanks to the considerable cost saving, higher attributable ratio and stable profit margin. Jinmao maintains good access to various funding channels with lower funding costs. Its parent, Sinochem, has been supportive for Jinmao's business developments and funding access. There are cross acceleration clauses between the USD bonds of Jinmao and those of Sinochem. We expect the supports from Sinochem to Jinmao will be forthcoming, if needed. CHJMAOs continue to be our top picks among issues of SOE developers in view of the better risk-return profiles. Within the CHJMAO curve, we prefer CHJMAO 6 PERP and CHJMAO 4.25 07/23/29 given their higher yield and lower cash prices. We expect CHJMAO 6 PERP to be called on the first call date despite no large coupon step-up, taking cues from Jinmao's track records of calling all its perps with coupon reset on the first call dates.

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➤ BTSDf: Stronger operating cash flow supported by effective destocking; change to buy on BTSDf 13.5 06/26/26 from neutral

Table 1: H&H International bond profile

Bond	Ask px	YTM (ask, %)	Amt o/s (USDmn)	Bond rating (M/S/F)
BTSDF 13.5 06/26/26	106.5	9.49	300	Ba3/BB/-

Source: Bloomberg.

In 1H24, H&H International (H&H)'s revenue fall by 4% yoy to RMB6.7bn mainly due to decline in baby nutrition and care segment sales. On geographical revenue split, China, accounted for 68% of H&H's revenue, posted 11% yoy decline in revenue, more than offset the growth of other regions. The EBITDA margin, excluding the one-off product portfolio restructuring costs in North American market, dropped by 1.8 pct pt to 17%, owing to the higher selling and distribution costs mainly from channel expansion for PNC markets. H&H expects the EBITDA margin in FYE24 to be at mid-teen (1H24: 17%) to be driven by: ANC revenue to grow at high single digit (1H24: 12% yoy); BNC revenue to fall at c20% (1H24: -22% yoy); and PNC revenue to grow at high single digit to low-teen (1H24: 6.3% yoy). In 1H24, H&H spent RMB31mn on capex and expects the FYE24 capex to be RMB100mn to support the business growth, compared to RMB122mn spent in FY23.

In 1H'24, H&H's net debts reduced RMB645mn, thanks to the stronger operating cash flow, growing to RMB1bn from RMB22mn in 1H23, driven by the substantial improvement in working capital. Its inventory turnover days shortened to 146 days from 174 days through more efficient inventory management, accurate forecast of demand in ANC and PNC segments, as well as clearing the old "GB standards approved" stock in the BNC segment. The new GB standards, i.e. China's new national standards for infant formula, were officially enforced in Feb'23 which requires manufacturers to reformulate their products in the areas of calories, carbohydrates, proteins and micronutrients content. H&H launched the new "GB standard" products end of 2023. H&H expects the inventory level by Dec'24 to be higher than the level as of Jun'24 due to stocking for CNY sales season and aims to maintain the inventory days at 150 days on a sustainable basis.

Supported by the lower net debts, H&H's net debt/EBITDA improved to 3.2x at Jun'24 from 3.5x at Dec'23. H&H targets to reduce debts of RMB400-500mn p.a. to lower the ratio further to 3x by Dec'24 and 2.5x by Dec'25, funded by operating cash flow. Besides, H&H has good access to different funding channels, including onshore and offshore bond issuances as well as bank borrowings. As of Jun'24, H&H's debt comprised of USD term loan of USD749mn due in Jun'25, USD bonds BTSDF 13.5 06/26/26 of USD300mn due in Jun'26, RMB 7.5% bonds of cUSD58mn due in Mar'27, as well as RMB bilateral loans of cUSD241mn with varied maturities up to Jun'27. Regarding the USD term loan of USD749mn, H&H prepaid USD168mn by a RMB loan drew in Jul'24, and H&H will prepay the remaining USD581mn outstanding by a USD term loan and revolving facilities totaled USD560mn it obtained in Jul'24. The maturity profile of H&H will be lengthened further after the early repayment.

We change our recommendation on BTSDF 13.5 06/26/26 (Ba3/BB/-) to buy from neutral, in view of lengthened debt maturity profile after the exchange and concurrent new issue in Jun'23. These, coupled of on-going net debt reduction and growing contribution from ANC and PNC segments, mitigate our concerns on pressure on IMF sales. BTSDF 13.5 06/26/26, H&H's only o/s USD bond, is trading at YTM of 9.5% at 106.5. Compared to its BB-rated peers in China, BTSDF 13.5 06/26/26 is trading 51bps higher than FOSUNI 5 05/18/26 (-/BB/-, YTM of 8.7%), and 313bps higher than GWFOOD 2.349 10/29/25 (-/BB, YTM of 6.4%). BTSDF offers better risk-return profile than bonds of other Chinese BB-rated peers.

Table 2: H&H Financial highlights

RMBmn	1H23	1H24	Change
Revenue	6,981	6,692	-4.1%
Gross profit	4,262	4,072	-4.5%
Adjusted EBITDA	1,310	1,140	-13.0%
Net profit	608	306	-49.7%
Gross profit margin	61.1%	60.9%	-0.2 pct pt
Adjusted EBITDA margin	18.8%	17.0%	-1.8 pct pt
Net profit margin	8.7%	4.6%	-4.1 pct pt

Working capital days			
Receivable turnover (days)	22	28	-
Inventory turnover (days)	174	146	-
Payable turnover (days)	77	70	-
Revenue by business			
Adult nutrition and care products (ANC)	2,938	3,276	11.5%
Baby nutrition and care products (BNC)	3,116	2,432	-22.0%
Pet nutrition and care products (PNC)	927	985	6.3%
Revenue by geography			
Mainland China	5,076	4,541	-10.5%
ANZ	830	976	17.6%
North America	737	816	10.8%
Others	339	359	6.0%
	Dec'23	Jun'24	Change
Cash and cash equivalent	1,372	2,387	74.0%
ST debt	4,760	5,737	20.5%
LT debt	4,463	3,855	-13.6%
Total debt	9,223	9,592	4.0%
Net debt	7,851	7,206	-8.2%
Net debt/ Adjusted EBITDA	3.5	3.2	-
Cash/ST debt	0.3	0.4	-

Source: Company filing, CMBI Research.

- **MEITUA: Net profit doubled in 1H24 under strong growth momentum in all segments. Maintain buy on MEITUA CBs**

Table 1: Meituan's outstanding bonds

	Px (ask)	YTM/YTP (%)	Next put date	Put px	Amt o/s (USDmn)
MEITUA 0 04/27/27	96.62	5.94	04/27/25	100.37	1,480
MEITUA 0 04/27/28	92.29	5.72	04/27/26	101.28	1,500
MEITUA 2.125 10/28/25	96.76	5.03	-	-	750
MEITUA 3.05 10/28/30	89.92	4.97	-	-	1,250
Total					4,980

Source: Bloomberg

We maintain buy on MEITUA CBs. MEITUA 0 04/27/27, puttable at 100.37 on 27 Apr'25, is trading at 96.6 with a YTP of 5.9%. MEITUA 0'27 offers a yield pickup of 91bps over MEITUA 2.125'25 and the tenor is effectively 6 months shorter. MEITUA 0 04/27/27 will be puttable in less than a year, on 27 Apr'25 at 100.37. In our view, Meituan is able to redeem the CB comfortably with its internal resources based on the cash position at Jun'24. For MEITUA 0'28, puttable at 101.28 on 27 Apr'26, offers YTP of 5.7%, 4pts lower in cash price than MEITUA 0'27 but a year longer in tenor. Meanwhile, we turned our recommendation on MEITUA 3.05 10/28/30 to neutral from buy, the valuation is less attractive that the spread has already tightened by 57bps YTD. At 89.9, MEITUA 3.05 10/28/30 is trading at YTM of 5.0%.

Meituan's posted a 23% yoy growth in revenue in 1H24 to RMB156bn. All the segments showed an yoy increase in revenue, driven by the increase in number of delivery transactions, number of online marketing active merchants, as well as growth in goods retail businesses. Meanwhile, the gross profit margin increased by 2.6 pct pt to 38.3%, thanks to better gross margin of goods retail businesses, as well as better operational efficiency in food delivery and Meituan Instashopping businesses. As a result, the net profit doubled in 1H24 compared to 1H23, to RMB16.7bn from RMB8.0bn.

Meituan generated operating cash flow of RMB25bn in 1H24, 32% higher than the level in 1H23. At Jun'24, unrestricted cash and cash equivalent increased to RMB54.7bn from RMB50.8bn at Mar'24. Together with the

short-term treasury investment of RMB78.6bn, Meituan's net cash position (unrestricted cash and short term investments minus total debts) further increased to RMB90.2bn at Jun'24. Over the past 5 years, its net cash position averaged RMB60bn. Meituan has ample liquidity to cover its short-term debts of RMB13.9bn and capex, and to redeem or repay its offshore maturities in the medium term, in our view.

We like Meituan's improving fundamental, benefited from the increases in domestic consumption and travel volumes in China. Meituan is capturing opportunities from the shift of consumption preference to the low-price domain, demonstrated by strong performance of "Pin Hao Fan" in 1H24 that the peak daily volume of "Pin Hao Fan" reached 8mn with improvement in user retention and order frequency. Meanwhile, Meituan launched "Meituan Group Buy" to satisfy the demand for value-for-money products, and continues to promote "Special Deal" and other tactics to capture demand for deep-discounted deals.

Table 2: Meituan's key financials

RMB mn	1H23	1H24	Yoy change
Revenue	126,582	155,527	23%
- Delivery services	37,280	44,086	18%
- Commission	35,156	43,483	24%
- Online marketing services and sales	18,090	22,751	26%
- Others	36,056	45,207	25%
Gross profit	45,215	59,587	32%
EBITDA	9,673	19,470	101%
Net profit	8,047	16,721	108%
Gross margin	35.7%	38.3%	2.6 pct pt
EBITDA margin	7.6%	12.5%	4.9 pct pt
Net profit margin	6.4%	10.8%	4.4 pct pt
	Mar'24	Jun'24	Change
Unrestricted cash and cash equivalent	50,784	54,704	8%
Short-term treasury investments	87,811	78,548	-11%
Unrestricted Cash and ST investment	138,594	133,252	-4%
ST debts	13,440	13,863	3%
LT debts	39,558	29,188	-26%
Total debts	52,998	43,050	-19%
Net cash (Unrestricted cash + ST inv - total debts)	85,596	90,202	5%
Cash/ST debts	5.1x	5.3x	-

Source: Company filling, CMBI Research.

➤ **Offshore Asia New Issues (Priced)**

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Cathaylife	320	15NC10	5.3%	T+150	-/BBB-/-
Far East Horizon Ltd	550	3.5yr	5.875%	T+235	-/BBB-/-
JERA Co Inc	500	5yr	4.614%	T+95	-/A-/-
Khazanah Capital Ltd	500/500	5/10yr	4.484%/4.759%	T+82/92	A3/A-/-
Philippines	500/1100/900	5.5/10.5/25yr	4.375%/4.75%/5.175%	T+75/95/5.175%	Baa2/BBB+/BBB

➤ **Offshore Asia New Issues (Pipeline)**

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Korea Housing Finance Corp	USD	-	3/5yr	-	-/-/-

➤ **News and market color**

- Regarding onshore primary issuances, there were 114 credit bonds issued yesterday with an amount of RMB151bn. As for month-to-date, 1,991 credit bonds were issued with a total amount of RMB1,991bn raised, representing a 14.5% yoy increase
- **[ADEIN]** Adani Enterprises plans public issue of up to INR8bn (cUSD95mn) NCDs from 4 Sep'24
- **[CHIOLI]** China Overseas Land 1H24 revenue down 2.5% yoy to RMB86.9bn and operating profit down 15.8% yoy to RMB16.1bn
- **[FOSUNI]** Fosun 1H24 revenue edged up 0.8% yoy to RMB97.8bn and pre-tax profit down 48.4% yoy to RMB3.6bn
- **[HYSAN]** Fitch downgraded Hysan Development to BBB from BBB+ and placed stable outlook
- **[LMRTSP]** Fitch plans to withdraw Lippo Malls Indonesia Retail Trust's CCC+ rating
- **[MEITUA]** Meituan 1H24 revenue rose 22.9% yoy to RMB155.5bn and adj. EBITDA rose 65.4% yoy to RMB23.1bn
- **[ROADKG]** Road King said lenders consent to two-year offshore-loan extension
- **[SINOCE]** Sino-Ocean USD bondholder AHG said they got 30%-plus support across three classes and will insist on winding-up if recast terms not improved

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