CMBI Credit Commentary

NWD: A LME focusing on perps

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The "holistic" exchange offers targeting on perps

Further to our summary on the exchange offers on 3 Nov'25, we share below more of our thoughts on the LME after numerous client discussions and discussions with the LME advisor. In brief, NWD launched holistic exchange offers for all of its 5 perps and 6 USD bonds with a total outstanding amount of cUSD6.8bn to exchange into new perp with an initial coupon rate of 9% and bond due 2031 with a coupon rate of 7%. The maximum new perp and bond to be issued will be USD1.9bn, including the cap on new perp issue at USD1.6bn. The exchange considerations include 2 cash pts for perp holders but no upfront cash for bondholders. The exchange for the perp instead of that for the bonds, in our view, is NWD's priority given the exchange for the perps at a 50% discount would have more meaningful impact on reduction of net debts and coupon payments. Taking in consideration of estimated distribution in arrears of cUSD100mn and "haircut" of 50%, the maximum amount of existing perps can be exchanged will be cUSD3.1bn, i.e. c69% of the o/s amount of existing perps. The exchange offers, if successfully goes ahead with new perp and bond issued totaled USD1.9bn, will help NWD reduce its net debts and net coupon payments by 7-7.5% and c1%, respectively on a pro-forma basis. NWD's net debts were HKD164.3bn as of Jun'25 and interest payment including perp coupon was HKD9.4bn for FY25. See table 1 &2 for the details of exchange offers.

"Ring-fenced" cash flow offers higher certainty of coupon payments for new perp …

The major incentive offered by NWD for perp holders to exchange is the "ring-fenced" cash flow of VD Security Package. The new perp and bond will not be secured by VD Security Package but the Comostar loans, mezzanine facilities, will have the first ranking security over VD. The distributable income of VD in FY25 was HKD1.2bn, increased 7.8% from the level in FY24. This should barely cover the scheduled coupon payments for new perp and bond totaled HKD1.3bn and support a higher certainty of coupon payments compared with that of the existing perps. Nonetheless, the one-for-all treatment for all perps instead of any differentiations among step-up and FFL perps is a surprise to us. We originally believe that any LMEs on the perps will offer more favourable terms to step-up perps.

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…and coupon payment of new perp is not dependent upon the coupon payment of existing perps

One of the reasons for the complicated structure with new SPVs and inter-company loans is to "de-couple" the coupon payments between new perp and existing perps. By settling a complicated structure and first security over VD, the new perp will not be parity securities of NWD's existing perps. Hence, coupon of new perp can be paid even if NWD chooses to continue to defer the coupon payments of existing perps. See Chart 1.

Our view on the exchange offers and FV estimates 64-89 for new perp and 71-80 for new bond

We see little inventive for holders of existing bonds to exchange, especially for existing bonds with longer-tenor. Anyway, we believe the exchange for existing bonds is not the priority of NWD. For perps, we see holders of lower-coupon and FFL perps to have a stronger incentive to exchange in view of lower cash prices of their existing holding, as well as higher coupon and higher certainty of coupon payments of the new perp. For step-up perps, whether exchange or not will be a trade-off for holders between higher certainty of coupon payments and higher coupon of the existing perps. Regarding FV estimates, for the sake of discussions, we estimate the FV for new perps to be in the range of 64-89, based on different discount rates and call assumptions. For the new 7% bond due 2031, our FV estimates are 71-80, based on discount rates of 12-15%.

Table 1: Perps' exchange offer

Security name	ISIN	Amt o/s (USD mn)	Early exchange consideration (USD)	Early cash consideration (USD)	Base consideration (USD)	Ask Price	Ask YTW
NWDEVL 4.8 PERP	XS2268392599	700	50	2	47	40.9	11.6%
NWDEVL 6 1/4 PERP	XS1960476387	1,300	50	2	47	41.9	14.3%
NWDEVL 10.131 PERP	XS2435611327	345.314	50	2	47	47.0	25.1%
NWDEVL 5 1/4 PERP	XS2132986741	999	50	2	47	42.6	25.6%
NWDEVL 4 1/8 PERP	XS2348062899	1,144.4	50	2	47	42.0	19.0%

Source: Bloomberg. Company filling.

Table 2: Bonds' exchange offer

Security name	ISIN	Amt o/s (USD mn)	Early exchange consideration (USD)	Base consideration (USD)	Ask Price	Ask YTW
NWDEVL 4 3/4 01/23/27	XS1549621586	458.366	91	88	85.8	18.5%
NWDEVL 5 7/8 06/16/27	XS2488074662	172	90	87	84.1	17.7%
NWDEVL 8 5/8 02/08/28	XS2873948702	400	90	87	84.0	17.5%
NWDEVL 4 1/8 07/18/29	XS2028401086	717.799	77.5	73.5	69.7	15.2%
NWDEVL 4 1/2 05/19/30	XS2175969125	442.587	76.5	72.5	67.7	14.5%
NWDEVL 3 3/4 01/14/31	XS2282055081	76.05	71.5	67.5	65.6	13.1%

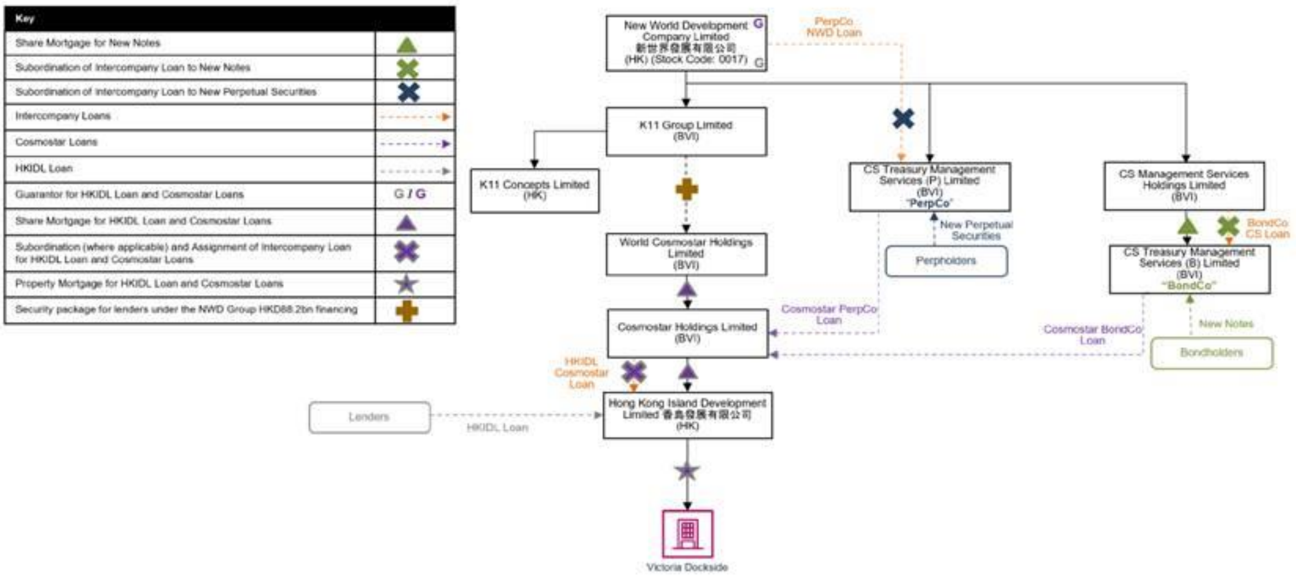
Source: Bloomberg. Company filling.

Table 3: FV estimates of the NWD complex

Discount rate	12%	15%	18%	20%
New 9% perp				
Call at year 6	88.7	78.5	69.9	64.8
Call at year 8	78.4	68.0	59.4	54.6
Call at year 10	74.1	63.7	55.4	50.7
Non-call perp	54.8	46.3	40.4	37.4
New 7% bond due 2031	80.3	70.7	62.6	57.9

Source: CMBI Research.

Chart 1: NWD Structure



Source: Company presentation.

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