

## CMBI Credit Commentary

### **RSMACA '22 shall move back to par, albeit gradually, from current bid of 90.5**

**Red Star Macalline:** On 18 July '21, Holding company signed an agreement to sell 70% stake of its property unit to Sino Ocean Capital for RMB4bn. This follows its 18% stake sold to Sino-Ocean Capital for RMB1.03bn on 30 Mar '21. Remaining series of stake sale will complete by stages, i.e. 22%, 11% and 19% on 30 Jul '21, 10 Aug '21 and 10 Jan '22 respectively.

This property unit has total asset of RMB100.3bn, representing 38% of the Holdco's total asset, vs list co. (RSMACA, USD bond guarantor) represents another 49% of Holdco's asset.

**We think the property unit's stake sale to Sino Ocean Capital will alleviate bulk of the Holdco's liquidity pressure, and positive to RSMACA's bond price.**

**We see the odd is on the upside, for RSMACA (Bid 90.5) to gradually move back to par, as RSMACA '22 is the only outstanding USD bond under listco.** For upcoming 14 months it has 4 onshore bonds maturity with a total amount of RMB2bn, before its USD bond due on Sep '22. This compares to its RMB3-4bn annual operating cash inflow from furniture mall operation per S&P projection. Near-term catalyst includes successful A-share placement worth of RMB3.7bn, Alibaba is rumored to be one of the investors, given it has subscribed to its CB from Holdco before.

There is also 3CMBS worth of RMB3.7bn puttable for rest of 2021, however, there are high chance of extension, as evidenced by 2 prior CMBS rolling over in late June '21. (PR 红美 A, 20 红美 A)

RSMACA also has unencumbered investment property asset worth of RMB13.3bn as of end-2020, in which management cited they can seek RMB3bn pledged loan out of it, according to its call in Mar '21.

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