

CMBI Credit Commentary

FAEACO: Revisit the knowns and unknowns

The known knowns

Far East Consortium (FEC) posted weaker FY25 results with a loss before tax of cHKD1bn as expected after the profit warning on [19 Jun'25](#). Its adj. cash profit, excluding non-cash impairment losses, lowered to HKD266.0mn in FY25 from HKD780.3mn. That said, compared with the adj. cash profit since 2HFY24, we see signs of stabilization of its operating performance. We take comfort that its adj. net gearing ratio improved to 67.6% in Mar'25 (vs 68.8% in Sep'24 and 68.1% in Mar'24). The net debt reduction more than offset net losses and various impairment losses. Subsequent to the completion of sales of HK mortgage assets and BC investment (1 month earlier than expected), FEC's liquidity profile and leverage should further improved. We estimate its liquidity position (cash +investment securities) to increase to cHKD4.7bn from cHKD3.9bn on a pro-forma basis.

The known unknowns

The major known unknown is the rationale of why FEC turned much more cautious in terms of perp coupon payment and the partial call. A few gesture such as skipping the final dividend and sales of perps by the spouse of FEC's chairman are fueling the speculations of coupon deferral and further delay in partial, as well as even talks on a LME. However, these appear to be inconsistent with our expectation of improving liquidity and the environment of lower funding cost. Furthermore, the attributable GDV for projects to be completed by Mar'26 is HKD12bn and HKD5.1bn was pre-sold. We expect a net cash inflow of HKD2bn after settlement of construction loans even on a conservative scenario. We also expect to see proceeds of cHKD400mn from sales of Hornsey hotel and town hall expected to be completed early next year.

Another known unknown is whether there will be further write-down on DBC. However, we take comfort that the full year impairment losses on DBC was cHKD250mn, i.e cHKD45mn in 2HFY25, down from cHKD204mn in 1HFY25. FEC does not rule out further impairment losses. That said, in our sensitized case of 100% write-down of the carrying value of DBC, FEC still has room to start the partial call this year despite the pace of the partial call could be slower.

FEC terminated the HOA on asset swap with Star but we believe that CTF and FEC are still interested in pursuing the asset swap as reflected by Star's willingness to continue the negotiation of asset swap. Hence, we do not assume FEC will receive the refund AUD22.5mn (i.e 50% of AUD45mn) because of the termination of HOA. At the same time, we also expect if CTF and FEC will go ahead with the asset swap, they will be prudent in pursuing hotel developments. Another known unknown is the refinancing of AUD1.3bn due Dec'25 at DBC level. The "hiccup" of negotiation with Star will likely slow down the progress of refinancing for the time being.

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Unknown unknowns

The unknown unknown are whether there will be any changes in the attitude of banks on FEC's refinancing exercises, even for the supposedly straight-forward rollover of secured financing after the recent refinancing issues for HK corps such as NWD and Emperor. This may partly explain why FEC turned more cautious. There are talks on tender offer at a price well below par. However, we are not convinced that an unfriendly proposal like this can be pushed through as FEC's liquidity and maturity profiles are quite manageable, in our view.

Our view

Table 1: Bond profile of FAEACO PERP

Security name	ISIN	Next Call Date	Amt o/s (USD mn)	Ask Px	Ask YTNC	Issue rating (M/S/F)
FAEACO 12.814 PERP	XS2050584866	07/18/2025	360	53.0	3051.9%	-/-/-

Source: Bloomberg.

FAEACO 12.814 PERP moved 10pts lower since FY25 results, reflecting the concerns of coupon deferral and further delay in partial calls. While we note the company's more cautious tone on coupon payment and the time table of partial call, we believe that the incentive for FEC to call the perps remains strong, especially HIBOR has significantly lowered. Additionally, our expectation of solid cash receipt from non-core asset sales and deliveries of property developments in the UK and Australia. At 53, we believe that FAEACO 12.814 PERP offers decent risk and return profile and maintain buy on FAEACO 12.814 PERP.

Table 2: Far East Consortium's Financials

HKDmn	FY23	FY24	FY25	1H24	1H25
Revenue	6,479.0	10,203.7	9,572.2	6,362.4	5,171.7
-Property development and investment	3,682.2	6,949.4	6,298.9	4,800.3	3,578.9
-Hotel operations	1,548.0	2,031.1	2,077.2	966.2	976.6
-Car park operations	754.3	731.6	712.6	356.1	380.0
-Gaming operations	390.4	402.4	408.8	194.3	196.1
-Others	104.1	89.2	74.7	45.4	0.0
Gross profit	1,668.5	2,784.8	2,360.7	1,974.7	1,433.7
SG&A	(1,204.9)	(1,721.1)	(1,766.0)	(1,004.1)	(854.7)
Finance cost	(611.0)	(1,182.8)	(1,033.8)	(514.6)	(496.6)
Change in fair value of IPs	39.9	455.0	(236.0)	40.2	(132.6)
Net forex loss	(116.8)	(17.5)	151.9	(4.1)	(166.7)
Share of results of JVs	134.3	19.2	(464.1)	(11.3)	(241.0)
Profit/(loss) before tax	729.7	585.4	(998.8)	537.4	(662.1)
Adj cash profit	575.7	780.3	266.0	617.4	139.2
Adj cash profit margin	8.9%	7.6%	2.8%	9.7%	2.7%
	Mar'23	Mar'24	Mar'25	Sep'23	Sep'24
Cash and cash equivalent	4,431	3,179	2,744	2,699	2,968
Total debt (incl. perps)	35,558	31,031	28,662	32,147	30,914
Net debt (incl. perps)	31,126	27,853	25,919	29,449	27,946
Net debt/LTM EBTIDA	17.4	12.2	49.5	15.8	26.4
Adjusted net gearing ratio	73.8%	68.1%	67.6%	73.2%	68.8%

Source: Company filling, CMBI Research.

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