

CMBI Credit Commentary

HRINTH: The repurchase focuses changed?

HRINTHs remain our top picks in Chinese AMC space

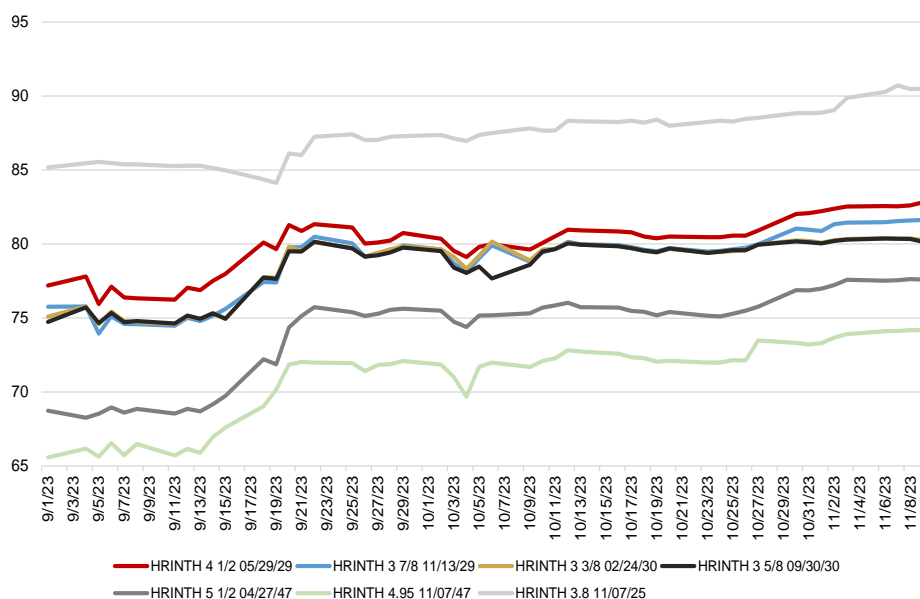
For HRINTHs, our preferences are **HRINTH 3.75 05/29/24**, **HRINTH 5.5 01/16/25** and **HRINTH 4.25 Perp** (callable 09/30/25). We also like **HRINTH 4.5 05/29/29**, **HRINTH 3.375 02/24/30** and **HRINTH 4.95 11/07/47** and consider they will be the most likely candidates for further repurchases given the lower cash prices and better trading liquidity. For Chinese AMCs, we also like **GRWALL 3.95 Perp** (callable 07/31/24) and **CCAMCL 4.4 Perp** (callable 03/11/26) as a low beta play.

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Chart 1: Price movement of repurchased HRINTHs since 1 Sep'23



Source: Bloomberg.

The weekly ritual is still on....

Huarong continues the weekly ritual with an announcement of another repurchases of USD98mn in principal amount. In the 8th round of repurchases, Huarong bought back USD50mn of HRINTH 4.5 05/29/29 and USD48mn of HRINTH 3.875 11/13/29. All of these were bought back between 3-9 Nov'23. Notably, the outstanding amount of HRINTH 3.875 11/13/29 fell further to below USD200mn and trading liquidity could be even thinner. Cumulatively, Huarong has repurchased offshore bonds of USD1.54bn in principal amount. We estimate that the net debt reduction and exceptional gain from repurchases to be cUSD350mn (cRMN2.5bn). The remaining war-chest for further repurchases should be cUSD950mn.

Table 1: HRINTHs repurchase details

Ticker	Currency	Issue size		Offer price	YTM	Repurchas	Incremental	Incremental	Incremental	Incremental	Incremental	Incremental	Incremental	Total	
		ed amt (mn)	ed amt (mn)			ed amt (mn)	repurchased	repurchased	repurchased	repurchased	repurchased				
		(mn)	O/s (mn)			as at 19	as at 21	as at 27	amt (mn) as at	amt (mn) as at	d amt (mn)	d amt (mn)	d amt (mn)	repurchases	
						Sep	Sep	Sep	11 Oct	19 Oct	as at 27 Oct	as at 2 Nov	9 Nov	disclosed	
HRINTH 4 1/2 05/29/29	USD	700	544.348	82.62	8.5%	98.65	7.00							50.00	155.65
HRINTH 3 7/8 11/13/29	USD	500	199.525	81.59	7.8%	52.48	23.00				107.00	70.00		48.00	300.48
HRINTH 3 3/8 02/24/30	USD	700	270.500	80.38	7.3%		141.00	108.50	101.21	78.79					429.50
HRINTH 3 5/8 09/30/30	USD	350	139.000	80.34	7.3%	41.00	32.00	15.00	52.50	60.50	10.00				211.00
HRINTH 5 1/2 04/27/47	USD	200	78.500	77.63	7.5%			21.554	32.95	10.00	57.00				121.50
HRINTH 4 9/5 11/07/47	USD	700	403.000	74.18	7.2%	72.27	87.91	18.00		51.83		67.00			297.00
HRINTH 3.8 11/07/25	SGD	400	368.000	90.76	9.0%	32.00									32.00
						287.87	290.91	163.05	186.65	201.12	174.00	137.00	98.00		1538.61

Source: Bloomberg, Company filings.

.... but repurchase focuses changed?

To us, the significance of this round of repurchases is whether Huarong has changed the focus on repurchases, voluntarily or involuntarily, from lower cash price bonds to more liquid bonds. [As we wrote last week](#), Huarong appeared to be reluctant to buy back bonds with cash prices of 80 or above and the choice of repurchases is getting less given bond prices are creeping up across the HRINTH curve, and trading liquidity of bonds, which had been the repurchase focuses, is lower as outstanding amount has notably reduced.

As per our estimates, the latest repurchases of 2 due 2029 bonds should be done at cash prices above 80. There are signs that Huarong has relaxed the repurchase criteria to higher cash price bonds. These, indeed, are in line with what we discussed last week, i.e. If the repurchase focuses can be flexible, Huarong would prefer to repurchase bonds with cash price higher than 80, instead of the nearest maturities to maximize the impact of lowering net debts, improving cash flow and boosting P&L through repurchases.

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