

## CMBI Credit Commentary

### MEITUA: Switch trade idea

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**Sell MEITUA 2.5%'25 due 28 Oct'25 at 88.3 for a YTM of 6.3%.** The outstanding amount of the issue is USD750mn;

**Buy the MEITUA 0%'27 (CBs) at 84.5 for a YTP of 6.7%.** The CBs is puttable at 100.37 on 27 Apr'25. The outstanding amount of the issue is USD1,483.6mn

The trade will be credit neutral, allowing investors to pick up yield of c40bps (back-loaded), take out cash of 3.8pts, cut tenor by 6-month and to have a free equity option (though parity is only c40).

Meituan is rated at Baa3/BBB- by Moody's/S&P. Both rating agencies have a negative rating outlook on the company. We expect the price volatility resulting from the potential "fallen angel risk" of the straight bonds will be larger than that of the CBs as CB investors are in general less sensitive to rating changes.

Despite the "fallen angel risk", Meituan maintains a strong liquidity profile with an improving operating fundamental. Its unrestricted cash and ST investments totaled RMB107.5bn, compared with ST debts of RMB12.9bn. Excluding restricted cash, Meituan was in a net cash position of RMB42.1bn as at Jun'22. Meituan will have sufficient internal resources to redeem the CBs of cRMB10.4bn.

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