

## CMBI Credit Commentary

### Fixed Income Daily Market Update 固定收益部市场日报

- *This morning, the new SWIPRO 4 5/8 08/28/32 tightened 10bps to CT10+30 from CT10+40. We saw PBs buying Asia AT1s, which overall lowered c0.3pt. GWFOOD 30 rose 0.9pt, and KOREAT 34 was up 0.7pt. CHGDNU 48 was 1.3pts lower.*
- **AACTEC:** *Robust 1H25 performance despite lower margin, positive rating action expected. AACTEC 26-31 were unchanged to 1bp tighter post results announcement. See below.*
- **WYNMAC:** *Wynn Macau to early redeem USD1bn WYNMAC 5.5 01/15/26 on 2 Sep'25 in full at par. WYNMAC 26s were 0.1pt higher this morning.*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, the new ALVGR 6.55 Perp edged up 0.3pt amid an overall cautious macro tone. In China, XIAOMI 30-31s widened 4-6bps, while XIAOMI 51 tightened 2bps. See our comments on Xiaomi's 2Q25 results [yesterday](#). BABAs widened 2-4bps. MEITUA 28-30s were 4bps wider, amid the news that Meituan's brand Keeta was taken to court in Brazil by Chinese rival (Didi Global, 99Food) for alleged trademark infringement. LIHHK 4.8 06/18/26 was 0.4pt higher, while CPREIT 2.95 06/15/30 was down 0.7pt despite media report on the renewal of lease agreement with ICBC. WYNMAC 26-34s were unchanged to 0.2pt lower. In Chinese properties, CSCHCN 4 ½ 08/19/27 was 0.1pt lower. China South City liquidators said that onshore operations would remain normal amid restructuring talks. YLLGSP 26/FUTLAN 28/FTLNHD 26 were 0.1pt lower to 0.1pt higher. In JP, MIZUHO/SUMIBK FRNs and SOBKCO 30-35s/NTTs widened 1-2bps. Yankee and Japanese AT1s and insurance hybrids were 0.3-0.5pt weaker. In SEA, VLLPM 27-29s dropped 0.2-0.9pt. The Philippine Securities and Exchange Commission ordered VLL's sister company Villar Land to pay administrative fines due to its delayed financial filing. GLPSP 4.6 PERP and 4 ½ PERP dropped 0.6-1.1pts. ADSEZ 27-32s widened 2-7bps. Among the ReNew Energy complex, RNW 26/INGPHL 27/RPVIN 27/INCLEN 27/RPVIN 28 were unchanged to 0.1pt lower. See our comments on INCLEN on [20 Aug'25](#). LGFV 5% to 7% handle papers remained under moderate selling pressure. ZBZCHD 6.9 02/28/28 rose 3pts higher. TSIVMG 1.55 12/17/29 was up 0.8pt.

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## ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ZBZCHD 6.9 02/28/28	99.2	3.0	GLPSP 4.6 PERP	54.4	-1.1
TSIVMG 1.55 12/17/29	71.6	0.8	CPREIT 2.95 06/15/30	84.9	-0.7
TSINGH 6 1/2 01/31/28	87.6	0.4	GLPSP 4 1/2 PERP	57.7	-0.6
XIAOMI 4.1 07/14/51	79.1	0.4	MQGAU 5.887 06/15/34	105.3	-0.6
LIHHK 4.8 06/18/26	91.4	0.4	CCAMCL 5 02/08/48	87.3	-0.5

## ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (-0.40%), Dow (-0.34%) and Nasdaq (-0.34%) were lower on Thursday. The initial jobless claims was +235k, higher than the market expectation of +226k. US Aug'25 S&P Global manufacturing/services PMI was 53.3/55.4, higher than the market expectation of 49.7/54.2, respectively. UST yield was higher on Thursday, 2/5/10/30 yield at 3.79%/3.86%/4.33%/4.92%.

## ❖ Desk Analyst Comments 分析员市场观点

## ➤ AACTEC: Robust 1H25 performance despite lower margin, positive rating action expected

AAC Technologies (AAC Tech) released strong 1H25 results with higher revenue and profit despite lower margin. We maintain our buy recommendations on AACTECs and prefer AACTEC 3 ¾ 06/02/31 given the higher yield and lower cash price. The current valuations of AACTECs are less appealing after the good performance of AACTECs, moved 2.1-4.9pts higher YTD and 7-12pts higher in 2024. That said, we continue to view AACTECs lower beta and good carry plays, offering better risk-return profiles than peers such as SUNOTG 5.95 07/17/26 (Moody's: Baa1, YTM of 4.6%/Z-spread of 71bps). Additionally, we also believe that AACTECs are candidates for early redemptions through repurchases and tender offers and these should support the performance of AACTECs.

Table 1: Bond profile of AACTECs

Security Name	ISIN	Amt o/s (USD mn)	Ask px	YTM	Z-spread (bps)	Issue rating (M/S/F)
AACTEC 2 ¾ 06/02/26	XS2341038656	231.3	98.5	4.7%	89	Baa3/-/-
AACTEC 3 ¾ 06/02/31	XS2342248593	292.1	93.8	5.0%	149	Baa3/-/-

Source: Bloomberg.

In 1H25, AAC Tech's revenue increased 18% yoy to RMB13.3bn, driven by growth across all business segments. The gross profit margin (GPM) stood at 20.7%, down by 0.8 pct pt from 1H24, driven by production ramp-up of new acoustics production and strong volume growth of lower-margin sensor and semiconductor products. That said, the impact was somewhat mitigated by the margin expansion of optics products. AAC Tech's EBITDA increased 6.3% yoy to RMB2.3bn in 1H25. Net profit surged 63% yoy to RMB876mn, primarily supported by revenue growth and one-off fair value gains on contingent consideration payables related to PSS, partly offset by higher expenses incurred from new business initiatives.

We expect the strong performance of AAC Tech to continue and margin to pick up in 2H25 with AI-driven spec upgrade cycle such as AI smartphones, foldable phones, glasses and AI-driven devices. AAC Tech guided the FY25 growth as follows: (1) acoustics: more mid-to-high end products ramping up in 2H25 that would improve the GPM. The newly acquired company First Light, an automotive microphone manufacturer, should further strengthen AAC Tech's core competitiveness of acoustics system solutions; (2) ED: 18-20% yoy revenue

growth with new business; (3) PM: 15-20% yoy revenue growth with GPM of 30%+; (4) optics: 20% yoy revenue growth with GPM at 10-15%; (5) SSE: 100% yoy revenue growth with GPM at 15-20%.

In 1H25, AAC Tech's operating cash inflow rose 9% yoy to RMB2.9bn, supported by higher revenue and shorter cash conversion cycle to 48 days, compared to 52 days in FY24. Longer payable days offset the impact of extended receivables and inventory days. Meanwhile, AAC Tech's capex increased 56% to RMB1.5bn, reflecting investments in the latest generation automation machinery and equipment for modifications, upgrades, and capacity expansion. We expect AAC Tech to continue funding capex with operating cash inflows while maintaining its current liquidity position.

Its solid credit profile is well-positioned for mid-BBB rating. As of Jun'25, AAC Tech had cash and cash equivalent of RMB7.7bn and its net gearing ratio was 14.5%. Total debt/LTM EBITDA and EBITDA/gross interest were 2.1x and 12.2x, respectively, in 1H25. We consider AAC Tech's credit profile solid for current rating (rated Baa3 by Moody's). We believe that AAC Tech's improving profit and manageable refinancing requirements could trigger positive actions by Moody's in the near-term. As per our estimates, the adjusted EBITA margin of AAC Tech was 10.1% in 1H25 and total debt/adjusted EBITDA was 1.9x as of Jun'25, compared with the Moody's upgrade trigger of adjusted EBITA margin at or above a high single-digit percentage and total debt/adjusted EBITDA below 2.5x on a sustained basis.

**Table 2: AAC Tech's key financials**

RMB mn	1H24	1H25	Change
Revenue	11,247	13,318	18.4%
- Acoustic products	3,460	3,523	1.8%
- Electromagnetic drives and precision mechanic	3,636	4,634	27.4%
- Optics products	2,213	2,648	19.7%
- PSS - automotive & consumer acoustics products	1,522	1,738	14.2%
- Sensor and semiconductor products	389	608	56.2%
- Other products	27	167	530.6%
Gross profit	2,418	2,754	13.9%
EBITDA	2,140	2,274	6.3%
Net profit	516	873	69.2%
Operating cash flow	2,651	2,893	9.1%
Capex	937	1,457	55.5%
Gross profit margin	21.5%	20.7%	-0.8pct pt
- Acoustic products	29.9%	27.2%	-2.7 pct pt
- Electromagnetic drives and precision mechanic	23.0%	22.9%	-0.1 pct pt
- Optics products	4.7%	10.2%	5.5 pct pt
- PSS - automotive & consumer acoustics products	25.0%	23.9%	-1.1 pct pt
- Sensor and semiconductor products	16.4%	12.1%	-4.3 pct pt
EBITDA margin	19.0%	17.1%	-1.9 pct pt
Net profit margin	4.6%	6.6%	2.0 pct pt
	<b>Dec'24</b>	<b>Jun'25</b>	<b>Change</b>
Cash and cash equivalent	7,538	7,680	1.9%
ST debt	2,217	2,915	31.5%
LT debt	8,238	8,206	-0.4%
Total debt	10,455	11,121	6.4%
Net debt	2,916	3,442	18.0%

Cash/ST debt	3.4x	2.6x	-
Total debt/LTM EBITDA	2.0x	2.1x	-

Source: Company filling, CMBI FICC Research.

➤ **Offshore Asia New Issues (Priced)**

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Binzhou Smart City Operation	35	3yr	6.7%	6.7%	Unrated
Sammaan Capital	300	3yr	9.125%	9.125%	-/B+/-
Swire Pacific	500	7yr	4.625%	T7+65	A3/A-/A-

➤ **Offshore Asia New Issues (Pipeline)**

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➤ **News and market color**

- Regarding onshore primary issuances, there were 129 credit bonds issued yesterday with an amount of RMB109bn. As for month-to-date, 1,560 credit bonds were issued with a total amount of RMB1,367bn raised, representing a 0.8% yoy decrease
- China is finalizing a bulk purchase of up to 500 aircraft from Boeing to be distributed among domestic carriers
- South Korean petrochemical firms to cut naphtha-cracking capacity on state call
- [BHP]** BHP Group is assessing the potential divestment of its Kalgoorlie nickel smelter as the Western Australian asset's operations have been suspended since last year
- [CPREIT]** Champion REIT major tenant ICBC renews HK office lease
- [KRKPSC]** Krakatau Posco to meet fixed income investors on 28 Aug'25
- [NSANY]** KKR leads bidding for Nissan HQ with JPY90bn (cUSD610mn) offer
- [SDEXPR]** Shandong Hi-Speed Holdings Group anticipates a nearly sixfold jump in 1H25 profit led by a significant rise in fair value on financial assets
- [SINOPE]** Sinopec 1H25 revenue declines 11% yoy to RMB1.4tn (cUSD196.3bn)
- [SKM]** South Korea orders SK Telecom to slash non-mobile cancellation fees after data breach
- [TAISEM]** TSMC weighs handing back subsidies if US seeks company stake
- [VEDLN]** Vedanta Limited board approves INR62.6bn (CUSD719mn) second interim dividend for FY26

- **[VLLPM]** Philippine SEC denies Vista Land sister company's request seeking to defer publication of financial statements

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