

CMBI Credit Commentary

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

- *CKINF Perps declined another 0.2-0.3pt this morning. MYLIFE 54-55s were up another 0.1pt. CCUDIH 26-28s were unchanged to 0.1pt higher.*
- **TENCNT:** Profit margin further improved. Maintain buy on TENCNT 3.595 01/19/28 and TENCNT 3.975 04/11/29. The short-end TENCNTs were unchanged to 3bps tighter while the long-end TENCNTs were 1-2bps wider post results announcement, and were unchanged this morning. See below.
- **AACTEC:** AAC Technologies FY24 revenue rose 33.8% yoy to RMB27.3bn. AACTEC 31s widened 2bps this morning.

❖ Trading desk comments 交易台市场观点

Yesterday, CKHH/HPHTSP 27-34s widened 1-4bps under better selling from AMs/RMs. CKINF Perps declined another 0.4-1.0pt and closed 2.1-3.1pts lower WTD. NWDEVL Perps, on the other hand, rose another 0.1-0.8pt and closed 0.3-1.1pts higher WTD. In financials, the new BBLTB 40s closed 1bp tighter from RO amid mixed flows among PBs/FMs, while the old BBLTB 28-36s were better sold and closed 1-2bps wider. JP/AU bank papers such as SUMIBK/NAB 30-36s tightened 2-3bps on buying from RMs/PBs. CBAU/HSBC Float 27-31s were 1-2bps tighter. JP insurance hybrids and EU AT1s and were firm on the back of lower rates post-FOMC. MYLIFE 54-55s rose another 0.1-0.2pt and closed 0.3-0.6pt higher WTD. The short-dated-to-call AT1s such as BNP 9.625/LLOYDS 8/HSBC 8 Perps were 0.2-0.5pt higher under better buying from AMs/RMs. Chinese IGs were under better selling. TENCNT/MEITUA/XIAOMI 28-31s were unchanged to 2bps wider. See our comments on Tencent's FY24 results below. In Chinese properties, VNKRL 25-29s rebounded 0.2-0.4pt following the drop of 0.7-1.8pts on Wed. SHUION 25s/LNGFOR 28-29s 25-29s were up 0.1-0.4pt. CHJMAO 29s declined 0.3pt. In India, ADSEZs/ADANEMs/ADGREGs were 0.4-0.6pt higher.

In LGFVs, the new CCUDIH 28 rose 0.6pt from RO at par. The old CCUDIH 26 was up 0.2pt. CPDEV 26 was 0.1pt higher. There were two way interests on CNH names such as ZIBOPR 28s/ZHJINF 27s. The low-yielding LGFVs were sought after. LIANYU/SDECIDI 25-26s were up 0.2pt. SPICPD/CHPWCN Perps were up 0.1pt.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
NWDEVL 4 1/8 PERP	46.2	0.8	CKINF 4.2 PERP	71.4	-1.0
NWDEVL 5 1/4 PERP	56.4	0.6	CKINF 4.85 PERP	81.9	-0.7
ADGREG 6.7 03/12/42	90.9	0.6	CKINF 4 PERP	69.3	-0.4
ADSEZ 5 08/02/41	79.4	0.6	CHJMAO 4 1/4 07/23/29	89.2	-0.3
ADANEM 3.867 07/22/31	82.5	0.6	EHICAR 7 09/21/26	71.7	-0.3

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.22%), Dow (-0.03%) and Nasdaq (-0.33%) were lower on Thursday. US latest initial jobless claims was +223k, lower than the market expectation of +224k. UST yield retreated on Thursday, 2/5/10/30 yield at 3.95%/4.01%/4.24%/4.55%.

❖ Desk Analyst Comments 分析员市场观点

➤ **TENCNT: Gross profit margin further improved to 53% in FY24**

In FY24, Tencent revenue grew by 8% yoy to RMB660.3bn with higher revenue across the board. For marketing services, the 20% yoy increase was mainly due to robust advertiser demand for video accounts, Mini Programs and Weixin Search. Total user time spent grew rapidly yoy in FY24 with enhanced recommendation algorithms and more local content. The cost of revenue, on the contrary, dropped 2% yoy due to lower live streaming revenue sharing costs, long-form video content and cloud project deployment costs. Coupled with high-margin revenue streams from domestic games, video accounts, Weixin Search and the Mini Games platform, the gross profit and adj. EBITDA increased by 19.2% and 17.7%, hence gross profit and adj. EBITDA margin expanded 4.8 pct pts and 3.3 pct pts to 52.9% and 42.0%, respectively.

During FY24, Tencent generated strong operating cash flow of RMB258.5bn, 17% yoy increase from the level of FY23. Tencent has been stepping up investments in AI. The FY24 capex increased 221.3% to RMB76.7bn, equivalent to 12% of FY24 revenue. Tencent will keep the FY25 capex at low teens as a % of revenue in FY25. We expect Tencent to continue to fund its capex via its operating cash inflows without much adverse impact to its credit profile. We expect Tencent to maintain a solid credit profile in line with its credit ratings of A1/A+, with low total debt/adjusted EBITDA ratio of 1.3x at Dec'24, improving gross profit margin and strong operating cash inflows.

Amongst A-rated Chinese TMT, we prefer TENCNT 3.595 01/19/28 and TENCNT 3.975 04/11/29 for shorter tenor given our preference for shorter-tenor plays in view of current UST level and volatility, as well as their lower cash prices among the shorter tenor TENCNT bonds. In Chinese TMT space, we also have buy recommendations in MEITUA 0 04/27/27, MEITUA 2.125 10/28/25, XIAOMI 3.375 04/29/30 and XIAOMI 2.875 07/14/31 and WB 3.375 07/08/30, we believe they are proxy plays on domestic consumption as well as less sensitive to incremental sanction measures from the US.

Table 1: Tencent's key financials

RMB mn	FY23	FY24	Change
Revenue	609,015	660,257	8.4%
- Value added services (VAS)	298,375	319,168	7.0%
- Marketing services	101,482	121,374	19.6%
- Fintech and business services	203,763	211,956	4.0%
- Others	5,395	7,759	43.8%

Gross profit	293,109	349,246	19.2%
Adjusted EBITDA	235,454	277,012	17.7%
Net profit	118,048	196,467	66.4%
Operating cash flow	221,962	258,521	16.5%
Capex	23,893	76,760	221.3%
Gross profit margin	48.1%	52.9%	4.8 pct pt
Adjusted EBITDA margin	38.7%	42.0%	3.3 pct pt
Net profit margin	19.4%	29.8%	10.4 pct pt

	Dec'23	Dec'24	Change
Cash and cash equivalent	172,320	132,519	-23.1%
Short term deposit and investment	200,886	205,890	2.5%
Cash and short term investment	373,206	338,409	-9.3%
ST debts	61,852	67,108	8.5%
LT debts	309,388	291,004	-5.9%
Total debts	371,240	358,112	-3.5%
Net debt/ (net cash)	(1,966)	19,703	-
Cash/ST debts	2.8x	2.0x	-

Source: Company filling, CMBI Research.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Greenko Wind Projects (Mauritius) Ltd	1000	3.5NC2	7.25%	7.25%	Ba2/-/BB
Quanzhou Nanyi Investment Group	130	3yr	5.4%	5.4%	Unrated
Xiangyu Investment (BVI) Co/ Huai'an Development Holdings	155	3yr	5.3%	5.3%	Unrated

➤ 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 149 credit bonds issued yesterday with an amount of RMB123bn. As for month-to-date, 1,417 credit bonds were issued with a total amount of RMB1,137bn raised, representing a 22.1% yoy decrease
- [GEELY]** Geely Automobile Holdings FY24 revenue rises 34% yoy to RMB240.2bn (cUSD33.2bn)
- [MGFLIN]** Bain Capital agreed to acquire an 18% stake and joint control in Manappuram Finance for cUSD508mn and launched an open offer for an additional 26% stake
- [POHANG]** POSCO Holdings to sell entire 1.5% stake in Nippon Steel for KRW467.8bn (cUSD320mn)

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