

## CMBI Credit Commentary - YUZHOU

### YUZHOU - Why exchange offer relaunched?

#### Cross default triggered on obligations other than the public USD bonds

Yuzhou relaunched the exchange offer for the remaining outstanding amount for YUZHOU 8.625%'22 (o/s USD30.511mn) and 6%'22 (o/s USD74.346mn) due 23 Jan'22 and 25 Jan'22. Recalled that Yuzhou obtained requisite consent from holders of other YUZHOUs such that the non-payment of the holdout of YUZHOU 8.625%'22 and 6%'22 will not trigger cross-default/acceleration of other YUZHOUs. However, the non-payment has triggered cross-default of Yuzhou's other borrowings, including offshore PPs and bank facilities. We noticed that Yuzhou has 5 o/s PPs totaled USD857mn, the cross-default of USD667mn of these were triggered resulting from the non-payment. In our opinion, the incentive for Yuzhou to relaunch the exchange offer is to clean up the remaining o/s of YUZHOU 8.625%'22 and 6%'22, such that Yuzhou can obtain waiver for the cross-default triggered more easily. This will also help remove one of the stumbling blocks for future funding access, introduction of investors and further exercises of asset liability management.

#### More comprehensive asset liability management is likely

Yuzhou has so far missed coupon payments of USD61.8mn and their grace periods will be in mid and late Feb (see the table below). It will have coupon payments totaled USD69.5mn in Feb'22, including the USD21.3mn for YUZHOU 8.5%'23 due today. Even before cross-default triggered, it will have PPs of USD267mn due Mar'22, USD440mn due Jun'22 and USD150mn due Sep'22 in addition to USD115mn YUZHOU 8.5%'22 due Sep'22. We also noticed that it has offshore loan facilities of up to USD338.5mn which are subject to the cross-default of non-payment. We believe that the company is trying hard and has a strong incentive to cure the missed coupons as evidenced by its efforts to avoid default. That said, the liquidity pressure remains high and further exercises of asset liability management are likely without a sizeable equity infusion.

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Ticker	ISIN	Currency	Size (mn)	O/S	Coupon	Date of coupon missed /Next coupon date	Coupon payment missed /due (USD mn)	Grace period expiry	Issue date	Maturity
YUZHOU 8 5/8 01/23/22	XS1938265474	USD	500	30.511	8.625%	23/1/2022	10.4	22/2/2022	23/1/2019	23/1/2022
YUZHOU 6 01/25/22	XS1555300497	USD	350	74.346	6.000%	25/1/2022	10.2	24/2/2022	25/1/2017	25/1/2022
YUZHOU 7.8125 01/21/23	XS2429784809	USD	453.3514	453.3514	7.813%	20/7/2022	17.7		20/1/2022	21/1/2023
YUZHOU 8 1/2 02/04/23	XS1945941786	USD	500	500	8.500%	4/2/2022	21.3		4/2/2019	4/2/2023
YUZHOU 6 10/25/23	XS1508493498	USD	650	650	6.000%	25/4/2022	19.5		25/10/2016	25/10/2023
YUZHOU 8 1/2 02/26/24	XS1954963580	USD	500	500	8.500%	26/2/2022	21.3		26/2/2019	26/2/2024
YUZHOU 8 3/8 10/30/24	XS2073593274	USD	500	497	8.375%	30/4/2022	20.8		30/10/2019	30/10/2024
YUZHOU 7.7 02/20/25	XS2121187962	USD	400	400	7.700%	20/2/2022	15.4		20/2/2020	20/2/2025
YUZHOU 8.3 05/27/25	XS2085045503	USD	500	486	8.300%	27/5/2022	20.2		27/11/2019	27/5/2025
YUZHOU 7 3/8 01/13/26	XS2100653778	USD	645	636.5	7.375%	13/1/2022	23.5	12/2/2022	13/1/2020	13/1/2026
YUZHOU 7.85 08/12/26	XS2215399317	USD	300	295	7.850%	12/2/2022	11.6		12/8/2020	12/8/2026
YUZHOU 6.35 01/13/27	XS2277549155	USD	562	557	6.350%	13/1/2022	17.7	12/2/2022	13/1/2021	13/1/2027
YUZHOU 5 3/8 PERP	XS1692346395	USD	300	300	5.375%	29/3/2022	8.1		29/9/2017	N/A
YUZHOU 8 1/2 09/22/22	XS2388913290	USD	120	115	8.500%	23/3/2022	4.9		23/9/2021	22/9/2022
YUZHOU 9.95 06/08/23	XS2379568004	USD	200	179	9.950%	8/3/2022	8.9		8/9/2021	8/6/2023

### Exchange remains the best available option

The terms are the same as those of the previous exchanged announced on 12 Jan'22, i.e. 5pts upfront repayment, 1 pt incentive fee, and 95 in principal amount of new notes due Jan'23. The deadline of the exchange will be on 18 Feb'22. The relaunch of the exchange should not be a surprise as Yuzhou mentioned this when it announced the results of exchange on 13 Jan'22. We continue to see that the exchange is the best available option. See our comments: [YUZHOU – Exchange and Consent Solicitation on 13 Jan'22](#) and [YUZHOU: exchange is the best available option on 18 Jan'22](#).

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