

CMBI Credit Commentary

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

- *Asia IG generally traded 3-8bps wider this morning with climbing treasury yield. HAOHUA/SIONCH widened 7-10bps and TENCNT/BABA widened 5bps at one point but paired 1-2bps loss toward the end of morning session. High quality developers stabilized after strong rebound yesterday, the space is broadly stable.*
- *BTSDF: proposed 5NC3 USD new issue fair value at high 6 – low 7%. See below.*
- *SHXREG: Shinsun announced result of its SHXREG 12.5% 2022 exchange offer with 92.1% of outstanding bonds validly tendered. Among validly tendered bonds, USD 141.55mn (57.3%) tendered for Series A New Notes and USD 86.2mn (34.9%) for Series B New Notes while USD 19.47mn (7.9%) remained outstanding.*

❖ Trading desk comments 交易平台市场观点

Yesterday, China HY property space recovered from Monday's loss with buying interests in the market. COGARD up 5-6pts in the morning session, but retreated slightly in the afternoon. High quality names like CIFIHG/LOGPH also up 4-7pts for the day. Names such as FTLNHD/PWRLNG saw some demands and gained 1-3pts. Other property names like SUNAC/SHIMAO/KWGPRO closed up 1-2pts, while REDSUN/CSCHCN/AGILE continued to drop 1-3pts. In industrial sector, names like FOSUNI/HONGQI saw some buying interests and closed slightly up.

IG market opened firmly with better buying from accounts, benchmark spread narrowed 1-3bps. In IG property sector, names like LNGFOR/VNKRLE outperformed today and traded 10-20bps tighter. TMT sector names saw some two ways and spread closed unchanged, but AMC names continued to widen 5-10bps for the day. In addition, '32 CCB Tier2 note spreads narrowed around 18bps from reoffer level.

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➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CIFIHG 4.45 08/17/26	77.6	8.0	CHINSC 5.95 09/29/24	54.3	-8.2
CIFIHG 4.8 05/17/28	75.3	7.5	ROADKG 5.2 01/12/26	76.8	-8.2
CIFIHG 5 1/4 05/13/26	78.9	7.3	CHINSC 7 05/02/25	52.1	-8.0
LOGPH 6.9 06/09/24	65.1	6.8	ROADKG 6 09/04/25	79.9	-8.0
ZHPRHK 10 1/4 PERP	95.5	2.1	CHINSC 6 02/04/26	51.1	-7.5

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock indexes fell Tuesday as investors fretted over whether the Federal Reserve will have rate hike more quickly and aggressively than expected. The S&P slid (-1.8%), Nasdaq (-2.6%), Dow (-1.5%). In addition, oil prices rose as geopolitical tensions in the Middle East added to worries about tight supply. Brent crude prices gained 1.2% to USD 87.51. U.S. Treasury yield curve shifted upward last night. The yield on the benchmark 10Y Treasury note climbed to 1.87%. The 1/5/30Y yields rose to 0.58/1.65/2.18% respectively.

➤ Desk analyst comments 分析员市场观点

➤ **BTSDF: Health and Happiness New Issue** (BB+/Stable and Ba2/Neg by S&P/Moody's)

Issuer: Health and Happiness (H&H) International Ltd (1112.HK)

Expected Issue Size: USD 400mn

Tenor: 5NC3

Credit enhancement: secured by H&H's offshore subsidiaries' shares, including 3 offshore operating companies – Swisse Wellness Pty Ltd (Australia), Swisse China Ltd (HK) and Health and Happiness Hong Kong Ltd (HK). But the security is on second-ranking basis, according to its Intercreditor Agreement with its Syndicated loans.

UOP: to refinance existing term loan facility (USD 350mn) and RCF (USD 50mn)

Fair Value for new BTSDF '27 at high 6% to low 7%

We believe the new BTSDF 1/2027 should be traded 1%-1.5% outside the existing BTSDF 5.625%10/24 (PX: 99.8, YTM: 5.6%) in yield term for 2.25-year duration extension. Our FV places the new BTSDF '27 tighter than FOSUNI'27 (YTM: 7.7%, BB/Stable) and HONGQI '24 (YTM: 6.9%, BB-/Stable), taking into account of the scarcity value of this consumption-related issuer.

Company and Business Profile: Health & Happiness (H&H) was founded in 1999 and sell premium infant milk formula(IMF) in China. It was listed on HK Stock Exchange in 2010 and now has a market capitalization of HKD8.2bn (USD1.1bn). The company is 67% owned by its founder Luo Fei. H&H's revenue mix consists of IMF and Swisse supplements (50%/35% of total current revenue). The pet segments acquisition will contribute 10% of revenue in 2022. We expect H&H's overall gross margin will remain stable at around 64%, as pets segment carries high gross margin of 67% which helps to offset some rising COGS pressure.

Credit Profile: H&H's net debt rose to RMB8.2bn by end-21 after its recent acquisition of Zesty Paw, from RMB4.1bn previously. Net Debt/EBITDA also rose to 3.4x in 2021, from its previous low level of 2.0x/2.2x in 2019/2020. After that, Moody's placed H&H's Ba2 rating on negative outlook. Zesty Paw's acquisition was at an expensive valuation of 35x 2020EV/EBITDA. Post-acquisition EBITDA contribution to H&H will be low at around RMB150mn – RMB 200mn per year, vs H&H's annual EBITDA scale of RMB 2.4bn. As such we expect its future deleveraging will be slow and the negative rating outlook will unlikely be resolved in the near-term.

<https://www.cmbi.com/article/6280.html?lang=en>

➤ SHXREG: Exchange Offer Results of Jan '22 Notes

Shinsun announced result of its SHXREG 12.5% 2022 exchange offer with 92.1% of outstanding bonds validly tendered. Among validly tendered bonds, USD 141.55mn (57.3%) tendered for Series A New Notes and USD 86.2mn (34.9%) for Series B New Notes while USD 19.47mn (7.9%) remained outstanding. The company will proceed to issue USD 134.47mn Series A New Notes and USD 86.2mn Series B New Notes. Both series will mature on 17 Jan'23 and bear a coupon rate of 13%.

Recalled that Shinsun offers credit enhancement to the holders of the Series A New Notes which are secured by 3 projects worth cRMB1.3bn or cUSD200mn as per our estimations (LTV of c67%) and are also guaranteed personally by Mr. Chen Guoxiang, chairman and controlling shareholder of Shinsun Real Estate Group. There is no credit enhancement offered to the holders of Series B New Notes. We understand that the holders of Series B New Notes are mainly friends and families of the chairman and controlling shareholder.

For key terms of exchange offer, please refer to our previous note.

<https://www.cmbi.com/article/6254.html?lang=en>

➤ Offshore Asia New Issues (Priced)

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Caofeidian State Holding Investment Group Co	USD 100	2.9	2.1%	2.1%	-/-
Xin Yue Co Ltd	USD 500	5	2.358%	2.358%	-/-A+
Huzhou City Investment Development Group Co Ltd	USD 300	3	2.85%	2.85%	-/-BBB
Jiaozuo Investment Group	USD 100	1	5.5%	5.5%	-/-
Dongtai Communications Investment & Construction Group Co Ltd	USD 65	0.5	5.8%	5.8%	-/-

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

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Quzhou Communications Investment Group Co	USD	-	-	-	-/-/BBB-

➤ **Onshore China conditions and color**

- Regarding onshore primary issuances, there were 104 credit bonds issued yesterday with an amount of RMB105bn. As for Month-to-date, 1086 credit bonds were issued with a total amount of RMB1150bn raised, representing a 26.1% yoy increase
- **[AGILE]** downgraded to B+/Neg by S&P
- **[CHJMAO]** completes redemption of USD 500mn 5.75% subordinated guaranteed perpetual capital securities in full
- **[DAFAPG]** has not made payment of principal or interest on remaining non-tendered outstanding principal amount of the January 2022 Notes; the Notes were delisted from the Stock Exchange on 18 January 2022
- **[ROADKG]** to acquire 45% of Hongze Properties from Midea Real Estate for RMB 542mn
- **[SINOCE]** wins bid for residential property in Hong Kong for HKD 705mn

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