

## CMBI Credit Commentary

### FUTLAN/FTLNHDs: An outperformer in a challenging operating environment

#### Maintain buy on FUTLAN/FTLNHDs

Table 1: Summary of FUTLAN/FTLNHD's o/s bond

Security name	ISIN	O/S (USD mn)	Maturity	Coupon	Offer price	YTM (%)
FTLNHD 4 1/2 05/02/26	XS2290806285	236.022	5/2/2026	4.50%	100.2	2.4%
FTLNHD 11.88 09/30/27	XS3192214685	94.027	9/30/2027	11.88%	96.4	14.7%
FTLNHD 11.8 03/09/29	XS3298830434	355	3/9/2029	11.80%	95.2	13.9%
FUTLAN 11.88 06/26/28	XS3099012406	350	6/26/2028	11.88%	96.1	14.0%

Source: Bloomberg.

We maintain buy on FUTLAN/FTLNHDs in view of the bonds' good risk and return profiles, especially after Seazen demonstrated once again its good access to various funding channels. We consider Seazen one of the very few stand-outs among non-state-owned Chinese property developers in term of operating performance and access to capital markets. Its resilience has been supported by the growing recurring income from its high quality (i.e. high occupancy rate, 97.8% in Dec'25) investment properties (IPs).

#### DP margin rebounded and recurring income continues to growth

While the overall FY25 results were dragged by property developments with lower recognized ASP and GFA, Seazen's growing recurring rental and property management income partly mitigated the impact. In FY25, its recurring income increased 7% to RMB14.1bn, covering 4.2x of its gross interest expenses. Because of the growing recurring income and declining property development income, rental and property management contributed 62.6% of Seazen's gross profit, up from 47.6% in FY24. As a result, the significantly higher gross profit margin of its recurring income (69.8% vs 13.0% of property development in FY25) led to a notable improvement in gross profit margin to 23.3% in FY25 from 16.8%. We take additional comfort that even the gross profit margin of property development rebound to 13.0% in FY25 from 11.7% in FY24.

Going forward, Seazen will increasingly focus on IPs. The company expects to open 5 new malls in FY26. This, coupled with the ramping up of other newly opened malls, will continue to support recurring income growth. Seazen guided a conservative target of 2.8% yoy growth of recurring income to RMB14.5bn in FY26. On development side, it had existing saleable resources of RMB40bn for FY26. Any new launches will depend on market condition. In 2M26, its contract sales were RMB1.9bn, down 35% yoy.

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**Table 2: Operating performance at a glance**

RMB mn	2022	2023	2024	2025	% change
Contract sales	116,049.0	75,983.0	40,171.0	19,270.0	-52.0%
Revenue	116,540.6	119,463.5	89,226.5	53,135.9	-40.4%
Property sales	104,882.7	107,336.4	76,041.0	39,004.3	-48.7%
Rental income	5,087.6	5,697.5	6,556.2	6,826.6	4.1%
Other recurring income	6,570.4	6,429.7	6,629.4	7,305.0	10.2%
Gross profit	15,938.8	16,168.0	14,984.4	12,401.2	-17.2%
Gross interest expenses	9,417.4	5,279.7	3,862.2	3,348.9	-13.3%
Profit before tax	3,694.5	5,019.7	4,193.9	3,923.5	-6.4%
Attributable net core profit	185.4	157.7	632.2	380.4	-39.8%
Recognized GFA (mn sqm)	13.2	13.0	9.9	6.3	-36.1%
Recognized ASP/sqm	7,947.4	8,254.9	7,716.5	6,195.9	-19.7%
Overall gross margin	13.7%	13.5%	16.8%	23.3%	
Rental gross margin	72.6%	69.9%	70.2%	69.8%	
Net core profit margin	0.2%	0.1%	0.7%	0.7%	
Recurring income interest coverage	1.2x	2.3x	3.4x	4.2x	

Source: Company filing, CMBI FICC Research.

### Recent funding exercises and headroom for secured loans alleviate refinancing pressure

Seazen maintained a largely stable credit profile. It continues to demonstrate notably better access to funding channels than most of its non-state-owned peers. It raised USD510mn to refinance maturing USD bonds in Jul' and Oct'25. It is the first non-state-owned Chinese property developer to resume access to the USD bond market over the past 3 years. In Mar'26, Seazen issued USD355mn FTLNHD 11.8 03/09/29 and early redeemed USD167.978mn of FTLNHD 4.5 05/02/26 and USD65.973mn of FTLNHD 11.88 09/30/27 through concurrent tender offers. It also raised cUSD60.4mn from a small share placement in Feb'26. These have largely removed the refinancing risk for FTLNHD 26.

Additionally, it obtained additional secured loans of cRMB12.5bn against its IPs in FY25. We understand that Seazen has 15 malls remain unpledged, and this could be translated into a headroom of RMB5-6bn secured loans/bonds against its IPs before any increase in LTV on pledged IPs. The ability to secured loans/bonds against its IPs not only helped lower its funding costs (5.81% in FY25 vs 5.88% in FY24), but also provides adequate financial flexibility to manage Seazen's debt maturities over the coming 2-3 years.

Seazen continues to explore new funding channels. In Mar'26, it announced the commencement of application for public issuance of commercial REITs with its commercial real estate projects (Changzhou Tianning Wuyue Plaza Project and Nantong Qidong Wuyue Plaza Project) as underlying assets. The commercial REITs will be listed on SSE and Seazen intends to hold at least 34% of the Commercial REITs. There is no detail as to the size and timetable of the public issuance.

**Table 3: Summary of financial position**

	2023	2024	2025
FCF (RMB mn)	3,527	2,307	5,884
Inventory days	31.2	35.1	36.7
Cash conversion cycle (days)	20.1	23.7	9.9
Cash	15,612.0	18,687.5	15,421.2
Other ST deposits	3,989.5	4,316.6	5,016.7
ST debts	16,483.0	21,010.6	16,666.9
LT debts	20,273.5	19,804.8	17,991.5
Total debts	36,756.5	40,815.4	34,658.4
Net debts	17,155.0	17,811.2	14,220.5
Debt/EBITDA	3.5x	4.7x	7.6x
Net debt/EBITDA	1.6x	2.1x	3.1x
EBITDA/int	6.6x	5.3x	2.8x
Net debt/equity	37.3%	38.0%	32.7%

Source: Company filing, CMBI FICC Research.

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