

CMBI Credit Commentary

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

The Asset Asian G3 Bond Benchmark Review 2023

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- *New issue BOCAVI'34 widened c2bps this morning. In Asian IG space, front-end China SOE/TMT/Leasing were under better selling. High-beta BNKEA/ZHONAN were also weak. GRNCHs moved -0.1 to +0.9pt post tender offer announcement.*
- *SJMHL: Improving 1H24 result and increasing market share. See comments below.*
- *SMCGL: Concurrent exchange and tender offers on SMCGL 5.95 Perp and SMCGL 7 Perp. See comments below.*

❖ Trading desk comments 交易台市场观点

Yesterday, BOCAVI priced the 7-yr bond of USD500mn at CT7+105. CATLIF announced mandate for a new 15NC10 subordinated T2. The old CATLIF 5.95 '34 widened 2bps. In KR, HYNMTRs/LGENSOs were 1-3bps tighter. In Chinese IGs, HAOHUA '30/TENCNT '28 were 1bp tighter. Moody's revised AACTEC's outlook to stable from negative. AACTECs were unchanged. See our comments on [23 Aug'24](#). In financials, Chinese AMCs were mixed. HRINTHs closed unchanged to 0.1pt lower (unchanged to 4bps wider). ORIEASs/CCAMCLs were unchanged to 1bp tighter. ANZ/CBAAU/MQGAU/WSTP T2s tightened 1-3bps. In AT1s, UBS 5.75 Perp/INTNED 3.875 Perp were 0.2pt higher. In HK, FAEACO Perp was up 0.5pt. See our comments on [27 Aug'24](#). CKINF Perps were 0.6-1.0pt higher. LASUDE '26 rose 0.9pt, PCGIHD '26 declined 0.7pt. In Chinese properties, GRNCH announced a tender offer to repurchase all of its o/s USD100mn GRNCH 2.3 01/27/25 at par. GRNCH 25s were unchanged to 0.4pt higher. VNKRL '29 was 0.4pt higher. FTLNHD '25/CHIOLI '42 were up 0.3pt. Outside properties, EHICAR '27 declined 0.5pt. In Macau gaming, STCITY/WYNMAC 28s were up 0.2pt. In Philippine, San Miguel Global Power (SMGP) announced the concurrent new issue of a NC5 Perp, and launched exchange and tender offers on the SMCGL 5.95 Perp and SMCGL 7 Perp (both callable in 2025). SMCGL Perps closed 0.3-0.7pt higher. See below for comments. In Indonesia, MDLNIJ 25/27 were up 0.2-0.3pt and closed 0.5-0.7pt higher WTD. India space was quiet.

In LGFVs, GZUIHG priced a USD150mn 3-yr bond at par to yield 5.95%. The new JZMUNU '27 was 0.5pt higher from par. The new JNFIHG '27 was

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unchanged. LIANYU '25 was 1.1pts higher. CHDUIN/CHDXCH/CDHIIN 26s were 0.3-0.5pt higher. WFURCD '24 was up 0.4pt. CPDEV '26/ZHHFGR '25 were up 0.1pt. In the high beta names, FRESHK announced the new issue mandate of a 3.5-yr USD bond. FRESHK 25-27s closed unchanged. See our comments on [27 Aug'24](#). GRPCIN/SUNSHG 26s were up 0.1-0.2pt. In SOE perps, CHPWCN 3.45 Perp/HUADIA 3.375 Perp were 0.1pt higher, COFCHK 3.1 Perp/HUANEN 3.08 Perp were down 0.1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
LIANYU 5 06/16/25	98.3	1.1	PCGIHD 4 1/2 08/23/26	92.3	-0.7
CKINF 4.85 PERP	88.4	1.0	SINOPE 3.1 01/08/51	75.1	-0.6
LASUDE 5 07/28/26	72.3	0.9	PRUFIN 4 7/8 PERP	90.9	-0.5
SMCGL 5.95 PERP	99.4	0.7	EHICAR 12 09/26/27	79.3	-0.5
CKINF 4.2 PERP	76.5	0.6	INDON 5.1 02/10/54	101.5	-0.5

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.16%), Dow (+0.02%) and Nasdaq (+0.16%) edged higher on Tuesday. The US Aug'24 Conference Board consumer index increased to 103.3 from 101.9 in Jul'24 and was higher than the expectation of 100.9. UST yields were stable yesterday, 2/5/10/30 yield reached 3.83%/3.66%/3.83%/4.13%.

❖ Desk analyst comments 分析员市场观点

➤ SJMHOL: Improving 1H24 result and increasing market share

HKD mn	1H19	1H23	1H24	Change vs. 1H19	Change vs. 1H23
Revenue	17,074	9,362	13,801	-19%	47%
-Gaming revenues	16,720	8,695	12,897	-23%	48%
-Hotel&Service revenues	354.1	666.5	904	155%	36%
Gross Profit	8,957	5,405	7,934	-11%	47%
Net Income	1,740	-1,197	-109	-106%	-91%
Adjusted EBITDA	2,078	461	1,734	-17%	276%
Gross Margin	52.46%	57.74%	57.49%	-	-
Adjusted EBITDA Margin	12.17%	4.92%	12.56%	-	-

Source: Company fillings.

SJM Holding (SJM) reported an improving 1H24 result as expected. In 1H24, SJM's GGR increased 49.3% yoy to HKD14.7bn, the growth rate was higher than the sector's GGR growth rate of 41.9% in 1H24. SJM's adj. EBITDA rose 276% yoy to HKD1.7bn from HKD461mn in 1H23. Besides, its adj. EBITDA margin improved to 12.6% from 4.9% in 1H23 due to recovery of tourist arrivals and contained OPEX increase after launch of one platform program. As of Jun'24, SJM's GGR market share edged up to 12.6% from 12.4% in 1Q24 as a result of Grand Lisboa Palace(GLP) 's ramp-up. As per SJM, its market share further grew to 13.5% in Jul'24, mainly driven by the growth of self-promoted casinos and GLP. We expect SJM's operating performance to continue improving as new policies to boost Macau tourist took effect in mid-2024 and its market share to reach c13-14% by FYE24.

By properties, GLP's adj. property EBITDA turned around to HKD192mn in 1H24 from negative HKD292mn in 1H23. In 2Q24, GLP's market share rose to 2.2% from 2.0% in 1Q24 and further increased to 2.5% in Jul'24. In 1H24, GLP's occupancy rate increased to 94.8% from 83.9% in 1H23 while we consider that there is still room for improvement given Grand Lisboa Hotel (GL)'s occupancy rate of 98.5% in 1H24. For other properties, the adj. property EBITDA of Grand Lisboa (GL) and other self-promoted casinos increased 113.5% and 9.8% yoy in 1H24

to HKD1,010mn and HKD649mn, respectively. On the other hand, the adj. property EBITDA of SJM's nine satellite casinos turned around to positive HKD22mn in 2Q24 and 1H24 loss narrowed to HKD30mn from HKD208mn in 1H23.

SJM's credit profiles remained stable. As of Jun'24, SJM had total cash of HKD3.4bn (incl. pledged bank deposit) and undrawn facility of HKD4.1bn, compared with the total cash of HKD5.0bn (incl. pledged bank deposit) and undrawn facility of HKD2.7bn in Mar'24. SJM's total debts net debts were largely unchanged at HKD27.0bn/HKD23.5bn compared with HKD28.2bn/HKD23.6bn in Dec'23. We believe SJM has adequate liquidity to cover its debts maturities and budgeted capex of cHKD1.5bn in FY24. We maintain buy on SJMHOLs and SJMHOLs remain to be our top picks in the sector in view of their more attractive risk-return profiles. In the sector, we also like MPELs and STCITY/STDCTY. Besides, We expect Macau gaming operators to conduct more early repayment via repurchases or tender offers given their improving operating performance.

	Ask YTM (%)	Mod Duration	Ask price
MGMCHI	6.0-6.7	0.8-4.0	96.9-102.4
MPEL	6.5-7.6	0.7-5.6	90.8-99.9
SANLTD	5.4-5.7	0.9-6.0	86.3-100.0
SJMHOL	7.2-7.5	1.3-3.1	92.0-96.5
STCITY/STDCTY	6.0-8.0	0.1-3.8	89.1-100.5
WYNMAC	5.0-7.0	0.1-4.5	91.8-99.9

Source: Bloomberg.

➤ **SMCGL: Concurrent exchange and tender offers on SMCGL 5.95 Perp and SMCGL 7 Perp**

San Miguel Global Power (SMCGL) launched exchange offers and concurrent tender offers on SMCGL 5.95 Perp and SMCGL 7 Perp. The exchange is on a par for par basis, and SMCGL will accept any and all amount offered for exchange.

On the concurrent tender offers, SMCGL offers to purchase the two perps at par with priority given to SMCGL 5.95 Perp, such that SMCGL 5.95 Perp will be accepted before any SMCGL 7 Perp validly tendered. The acceptance priority of SMCGL 5.95 Perp should be attributable to its earlier call date (May'25), c5 months ahead of that of SMCGL 7 Perp, callable in Oct'25. The maximum acceptance amount is subject to the size of the net proceeds from the new USD perp issuance. If the amount of SMCGL 5.95 Perp validly tendered is higher than the maximum acceptance amount, SMCGL 5.95 Perp will be subject to pro-ratio so that the amount to be accepted does not exceed the maximum acceptance amount.

The proceeds from the new USD perp issuance will be used in the following order: (1) exchange offer (accrued distribution and other costs), (2) tender offers (purchase price, accrued distribution and other costs), (3) the pre-development costs of solar energy projects. The new USD perps carry the same T&C and are fungible with the exchanged securities. Also, it will have a coupon reset and step-up at 5yUSD+initial spread+250bps starting from year 5 after the issuance, same as all the four existing perps of SMCGL.

We believe the willingness of SMCGL to redeem its perps remains high owing to the coupon reset and 250bps step-up. SMCGL has track records of calling its perps on the first call dates. For instance, SMCGL 7.5 Perp was called on 7 Nov'19, SMCGL 6.75 Perp was called on 26 Feb'21. SMCGL 6.5 Perp, which we had buy recommendation in 2024 Outlook, was also called on 25 Apr'24. However, SMCGL's ability to call is constrained by the lumpy call dates of these four perps in 2025-26 with the total outstanding amount of USD2.5bn (cPHP146bn).

On the other hand, we saw SMCGL latest profitability and operating cash flow improved yoy with higher offtake volume and lower fuel costs. SMCGL revenue increased by 17% yoy in 1H24 to PHP98.9bn, with higher offtake volume by 63% yoy to 17,457GWh due to increase in both bilateral and ancillary volumes along with the secured new power supply contracts. Gross profit margin increased by 5.8 pct pt to 26.8% due to lower fuel costs. The

average coal price was USD131/mt in 1H24, compared with USD204/mt in 1H23. The EBITDA also increased by 45% yoy to PHP30.1bn, while the operating cash flow increased to PHP37bn from PHP7bn.

As of Jun'24, the net debt (incl. perp)/EBITDA down to 9.6x in Jun'24 from 11.0x in Mar'24 under strong EBITDA growth, while the net debt increased moderately to PHP560bn from PHP551bn at Mar'24. SMCGL had cash on hand of PHP18bn, 49% decrease from the level as of Mar'24, due to redemption of SMCGL 6.5 Perp in Apr'24 of USD783mn. The cash to short-term debt ratio remained low at 0.2x.

Table 1: SMCGL's outstanding USD perps

Bond	Amount o/s (USDmn)	Px	YTC (%)	First call date	Coupon reset (incl. 250bps step-up)
Under concurrent exchange and tender offer					
SMCGL 5.95 Perp	492.1	99.9	6.72	5 May'25	5yUST+6.796%
SMCGL 7 Perp	723.9	100.1	7.34	21 Oct'25	5yUST+9.199%
Other outstanding perps					
SMCGL 5.7 Perp	593.3	97.9	7.69	21 Jan'26	5yUST+6.554%
SMCGL 5.45 Perp	683.5	95.5	7.96	9 Dec'26	5yUST+7.155%

Source: Bloomberg.

Table 2: Tender offers indicative timetable

Date	Event
On or around 29 Aug'24	Announcement of minimum new issue initial distribution rate
4 Sep'24	Expiration deadline of the exchange and tender offers
On or around 5 Sep'24	New issue pricing date, and tender offer result announcement
12 Sep'24	Settlement date

Source: Company filing.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
BOC Aviation	500	7yr	4.625%	T+105	-/A-/A-
Ganzhou Urban Investment Holding	150	3yr	5.95%	5.95%	-/-/BBB-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
BOC Aviation	USD	-	7yr	T+140	-/A-/A-
Far East Horizon Ltd	USD	-	3.5yr	T+270	-/BBB-/-
JERA Co Inc	USD	-	5yr	T+125	-/A-/A-
Khazanah Capital Ltd	USD	-	5/10yr	T+115/125	A3/A-/A-
Philippines	USD	-	5.5/10.5/25yr	T+110/125/5.5%	Baa2/BBB+/BBB
Wuhan Metro Group	USD	-	3yr	-	-/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 123 credit bonds issued yesterday with an amount of RMB167bn. As for month-to-date, 1,885 credit bonds were issued with a total amount of RMB1,853bn raised, representing a 14.3% yoy increase

- **[AACTEC]** S&P affirmed AAC Technologies Holdings Baa3 rating and revised the rating outlook to stable from negative
- **[BTSDf]** Health & Happiness 1H24 revenue down 4.1% yoy to RMB6.7bn and adj. EBITDA down 13% yoy to RMB1.1bn
- **[CCAMCL]** China Cinda AMC 1H24 total income rose 2.3% yoy to RMB35.1bn and profit before tax down 45% yoy to RMB2.9bn
- **[CHIOIL]** China Oil and Gas is in talks for USD bond issuance next year to refinance due-2026s
- **[FAEACO]** Media reported that Far East Consortium may consider partial calls of perps from 1Q25
- **[GRNCH]** Greentown China launched tender offer to repurchase all outstanding USD100mn GRNCH 2.3 01/27/25
- **[JD]** JD.com board approved up to USD5bn share repurchase program
- **[MINMET]** Minmetals Land 1H24 revenue down 40% yoy to HKD5bn and pre-tax income turned to loss of HKD1bn from HKD1bn profit in 1H23
- **[MONMIN]** Mongolian Mining announced to fully redeem USD122.5mn outstanding perps on 2 Oct'24
- **[SKINNV]** SK Innovation/SK E&S shareholders approved merger plan
- **[UPLLIN]** Media reported that UPL said rights issue, asset sales, free cash flow options to address debt maturities

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