

CMBI Credit Commentary

NWDEVL: A negative surprise

Coupon deferral at a sensitive time

NWD announced coupon deferral for 4 out of its 5 outstanding perps. The amount of coupon payment to be deferred totaled USD77.2mn. The timing of the deferral is a surprise to us given the media reports on the positive progresses of loan refinancing and target to close the refinancing soon. The next coupon payment for NWDEVL 6 1/4 PERP will be on 7 Sep'25 with a coupon payment of USD40.6mn. In view of the latest developments, the coupon payment of NWDEVL 6 1/4 PERP will likely be deferred.

The key is whether the deferral is a negative surprise to relationship banks

We have been arguing since the discussions of the loan refinancing that NWD will not be able to redeem its perps before the completion of loan refinancing. However, we do not expect NWD to defer coupon payments given the progress in loan refinancing as per media reports. Indeed, NWD faced the same window to defer coupon payments in Dec'24 but chose to continue the coupon payments then. Additionally, NWD just announced on 30 May'25 that it had achieved over 95% of its contract sales and NCD target. To us, the key question is whether the coupon deferral will help convince banks to commit to loan refinancing through conserving liquidity or the deferral is as much a negative surprise to NWD's relationship banks as to us. The news flow on loan refinancing in the coming few weeks will offer more clarity.

Loan refinancing to be completed remains our base case

Nonetheless, we expect the loan refinancing to be completed given our belief that banks are incentivized to roll over NWD's loan, partly helped by the lower HIBOR and progress in contract sales and NCD. 1M HIBOR lowered from c4.6% beginning of the year to below 0.6% now. If the coupon deferral is a negative surprise to NWD's relationship banks, the time table for competing loan refinancing could be subject to more uncertainties and banks could be more demanding on terms of loan refinancing.

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Cyrena Ng, CPA 吳蒨瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

Jerry Wang 王世超
(852) 3761 8919
jerrywang@cmbi.com.hk

CMBI Fixed Income
fis@cmbi.com.hk

Coupon can be deferred, not skipped

The coupon of NWD's perps can be deferred but cannot be skipped as banks' AT1s. We understand that there is no limit as to the number of times coupon can be deferred. That said, the coupon deferred will be "interest bearing". Given the dividend stopper and "interest on interest", we believe that resumption of stock dividend payment and settling the deferred coupon are amongst the priorities of NWD and Cheng family although completing the loan refinancing should be the top priority for the time being.

Will NWD conduct LME on bonds and perps?

We believe that completing the loan refinancing is NWD's focus now. If the loan refinancing can be completed as previously reported, NWD will have very limited amount of ST debts in 2025 and 2026. With sharply lower HIBOR and better sales momentum, NWD's liquidity and refinancing pressure should be notably relieved. The big question remains whether banks are surprised by the coupon deferral and if so, how's the progress of refinancing will be affected. Given our base case of loan refinancing will be completed and next scheduled maturity of USD bonds on Jan'27, we believe that NWD is under less pressure to conduct a holistic restructuring on its USD bonds and perps in the near-term. If NWD can secure additional loans, such as the DB loan as reported, NWD could draw down the loans to buy back or tender offer the higher coupon-paying and lower cash price bonds and perps.

Significant downside priced in, focus on better risk-return profiles

NWDEVLs perps moved 3-31 pts lower after the coupon deferral with movements of dated bonds contained. At current levels, we believe that NWDEVLs have priced in significant downside. For bonds with dated maturities, we prefer NWDEVL 8 5/8 02/08/28 for its highest cash yield. For perps, we can no longer look at these on a cash yield basis. That said, we believe that NWDEVL 5 1/4 PERP offer better risk-return profile amongst the outstanding perps given the largest coupon step-up. NWDEVL 5 1/4 PERP should be in a higher priority in case of any market repurchases and tender offers.

Table 1: Bond profiles of NWDEVL

Security name	ISIN	Maturity/Next call date	Amt Out (USD mn)	Ask price on 29 May'25	Ask Price	Ask YTM/YTNC	Coupon	Cash yield
NWDEVL 6 1/4 PERP	XS1960476387	First Call on 7 Mar'24	1,300.0	28.1	23.9	1185.4%	6.25%	26.2%
NWDEVL 4.8 PERP	XS2268392599	First Call on 9 Sep'23	700.0	26.2	23.5	1980826.8%	4.8%	20.4%
NWDEVL 6.15 PERP	XS2435611327	First Call on 16 Mar'25	345.3	60.3	29.7	408717.5%	6.15%	20.7%
NWDEVL 5 1/4 PERP	XS2132986741	3/22/2026	999.0	38.6	24.4	300.0%	5.25%	21.5%
NWDEVL 4 3/4 01/23/27	XS1549621586	1/23/2027	458.4	75.1	77.0	22.2%	4.75%	6.2%
NWDEVL 5 7/8 06/16/27	XS2488074662	6/16/2027	172.0	73.2	74.0	22.5%	5.875%	7.9%
NWDEVL 8 5/8 02/08/28	XS2873948702	2/8/2028	400.0	68.9	64.6	28.3%	8.625%	13.4%
NWDEVL 4 1/8 PERP	XS2348062899	3/10/2028	1,144.4	30.4	24.3	68.9%	4.125%	17.0%
NWDEVL 4 1/8 07/18/29	XS2028401086	7/18/2029	717.8	54.2	54.7	21.1%	4.125%	7.5%
NWDEVL 4 1/2 05/19/30	XS2175969125	5/19/2030	442.6	53.0	48.9	21.9%	4.5%	9.2%
NWDEVL 3 3/4 01/14/31	XS2282055081	1/14/2031	76.1	51.3	52.7	17.2%	3.75%	7.1%

Source: Bloomberg.

CMB International Global Markets Limited

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

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