

CMBI Credit Commentary – HPDLF

HPDLF: "CBs" issue enhanced financial flexibility, Buy on HPDLFs

Hopson raised USD250mn from the issuance of 363-day "CBs" (technically the tenor is too short to be called convertible bonds!) due 20 Dec'22. The coupon rate is 8% and the conversion price is HKD20.16 per share, representing an initial conversion premium of only 4.6%. After the c13% slippage this morning, the parity of the "CBs" is 83, compared with 68 of Agile's EBs issued in Nov'21. Indeed, the shares of Hopson have significantly out-performed those of the non state-owned peers, thanks to Hopson's stable operations and contributions from its financial investments. Hopson's shares were up 7.3% year-to-yesterday close.

We understand that Hopson has prepared the funding for the repayment of USD500mn due 12 Jan'22. The "CBs" issue, in our view, is more of an opportunistic funding exercise, taking advantage of reasonable pricings (8% coupon rate and conversion premium after a significant out-performance of share price). The 363-day tenor reflects that Hopson does not have any NDRC quota.

HPDLFs moved 1-2pts higher this morning. We like the credit of Hopson in view of its repayment track records throughout cycles, the higher balance sheet transparency given the lower level of MI (only 16% of total equity) and the financial flexibility provided by its listed investment portfolio of cUSD3bn. For the 10M21, Hopson's contract sales increased 42.6% to RMB36.3bn, driven by 103.5% increase in ASP. The sharp increase in contracted ASP somewhat reflected Hopson's adequate liquidity and it is under much less pressure to cut price as its peers are. **We recommend Buy on HPDLFs, and consider these are low-beta carry plays (YTM of 8-9% for '23 and '24) under the volatile market condition.**

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