

22 March 2021

**CMBI Credit Commentary****MOLAND: Stable financials showed resilience in credit profile****MOLAND 11.8 22 (YTM ~9%), MOLAND 11.5 22 (YTM ~10.2%)**

Modern Land China (MOLAND, B2/B by Moody's/Fitch) announced stable full year result, featuring revenue of RMB15.7bn (+8.2% yoy), EBITDA of RMB2.5bn (flat yoy), normalized gross margin of 24% (-1.5ppts), improved liquidity (Cash/ST debts: 1.4x), and higher net gearing of 95% (+12ppts). The company stepped into yellow camp under the "three-red-line" guidance, from orange camp. We view the company as a slightly improving credit story with active liabilities management and unique land acquisition channel. **We see better risk-reward in the MOLAND 22s (9.5-10.5% YTM), compared with DEXICN 22s (9.4%-10.7% YTM), REDPRO 22s (10% YTM), thanks to its land investment flexibility that supports its business operation.**

**Resilient 2020 operational and financial result:** In 2020, Modern Land recorded contracted sales of RMB42.2bn (+16.6% yoy) with attributable ratio of 60% (flat vs 2019) and cash collection of 71% (2019: 76%). ASP remained at RMB10.4k per sqm (2019: RMB10.7k). Sell-through ratio maintained stable at 70% (2019: 70%). The company spent RMB12bn for sale-able resources of ~RMB43bn (21 projects, 4.6mm sqm), through public auction (47%) and industrial cooperation model (53%).

2020FY result showed growth in topline (+8.7% yoy to RMB15.7n) and normalized gross margins at 24% (2019: 25.5%). EBITDA remained flat at 2.5bn. On balance sheet side, total debts rose to RMB18.5bn (2019: RMB15.9bn), while liquidity improved as cash / ST debts improved to 1.4x (2019: 1.2x). Debt maturity profile improved as ST debts / total debts reduced to 39%, but the debt structure slightly weakened, as more trust loans are utilized (19% of total debts vs. 15% in 2019).

**2021 management guidance:** Company targets contracted sales of RMB47bn (+12% yoy) with RMB67bn saleable resources (sell-through: 70%). For 2021 full-year booking revenue, management expects to recognize 3mm sqm GFA (~RMB30bn in top line). This indicates ~100% growth in recognized revenue, gross margin is expected to remain stable.

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**Shorter-than-peer land bank lifespan, but partly mitigated by some sale-able resources secured under industry collaboration channel.**

By the end of 2020, company's total land bank value was RMB170bn (including 86bn sold but unrecognized). As such, the unsold land bank covers ~2x of 2020's pre-sales. We view such land span shorter than the market peers. Having that said, the company has ~RMB100bn resources locked and to be confirmed land use right in 1-2 years with local government through its industry collaboration model. We believe such land acquisition model alleviates the firm's investment pressure, under the centralized land supply mechanism. In addition, Industrial cooperation model allows Modern Land to provide better costs efficiency by cooperating with industrial companies. This is evidenced by its relatively low cost/ASP of 27% for industrial cooperation (public auction: ~35%).

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