

## CMBI Credit Commentary

### CHGRAU's tender offer & concurrent new note issue is +ve to CHIGRA 8 <sup>5</sup>/<sub>8</sub> 04/08/22

CHIGRA/CHGRAU launched a tender offer at 100 of its USD400mn CHGRAU 9.109 Perp, subject to a concurrent new money issuance. An allocation of each USD2,000 principal amount in New Notes will entitle existing Perps holder to tender USD1,000 principal amount of the Perps at Par. CHGRAU 9.109% perps moved 7pts higher while CHIGRA'22 was c1.5pts higher. The tender offer will be conditional upon the concurrent new issue.

#### Timeline:

- Tender offer will start 9 July and expire on 22 July.
- Concurrent New Note will price and allocate on 19 July

**The tender and concurrent new issue gives perps holders good incentive to chip in extra money in order to realize an immediate gain, which is precious in current market condition.**

As a scenario analysis, if the concurrent New Note is 2.5year bullet bond, there will be good downside protection for perps holders to exchange into the new bonds, assuming the New Note priced at 9.1% coupon (~same as the perp's current coupon). Perps holders can book an immediate gain of 20 pts from its perps holdings, that means the perps holder will still have gain in aggregate as long as its new bonds not falling below 90 (USD2 will be bought for every USD1 perp tendered), or an effective yield of c13% of the new bonds (9.1%+10pt/2.5yr) when it stabilizes at par.

**Overall we think this liability management is positive to CHIGRA 8 <sup>5</sup>/<sub>8</sub> 04/08/22, when additional new money is raised, we see CHIGRA 8 <sup>5</sup>/<sub>8</sub> 04/08/22 trend up to par, from current 97 level (an effective yield of c13%).**

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