

CMBI Credit Commentary – Sinic Holdings (SINHLD)

First take from Corporate Day: Fundamental is on-track but refinancing remains a concern

Sinic expects stable debts level for the interim; sales remain resilient despite May & June sales slowed down; looks to repay USD bonds with internal sources; refinancing could be challenging if sluggish market environment not improve; we maintain OW on SINHLD '21s

Sinic's pre-sales are on-track, while investments remain vigilant.

Sinic delivered RMB58.8bn gross contracted sales (+35% yoy, 47% of target completed) in 1H21. We estimated the sales from heavy assets business (property development) to be RMB40bn. Company guided 40-45% of the property pre-sales would be consolidated to the firm. The attributable contracted sales was RMB27bn (+28% yoy), while cash collection ratio is guided to be 80%.

For 1H21, Sinic purchased new lands with attributable GFA of ~1mn sqm at attributable costs of RMB3.1bn, translating into saleable resources of RMB9.4bn. Sinic remains vigilant in new land acquisitions to maintain reasonable profitability in 1H21, as total land investments in 1H21 accounted only 23% of Sinic's estimated cash collection or 26% of full year land budget.

Expects stable interim result and stay in yellow camp under "3-red-line" policy. Sinic guided to remain stable growth in revenue (~RMB28bn as of 2020, 1H20 undisclosed), flat debt level (~RMB30bn as of 2020), and stable GPM (23%-24% as of 2020) in 1H21. Sinic reported net gearing, cash/ST debts, and adj. lia-to-assets ratio of 64%, 1.2x, and 73% as of 2020, and expects to remain in yellow camp in the interim result.

Refinancing remains a concern under vulnerable market environment. SINHLDs slid 5-13 pts in the past 6 months, due to general weak market sentiment on China HY properties and varied market rumors/headlines on the company. With the cash collection of ~RMB22bn in 1H21, cash on hand of 17.5bn as of 2020, cash/ST debts of over 1x in 1H21 and prudent land investments in 1H21, we think Sinic has enough resources to repay the SINHLD 21s (USD250mm outstanding). However, we note that the SINHLD 06/22 is trading below 90, and believe

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refinancing of the 22s remains a concern, should the challenging market sentiment continues.

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