

## CMBI Credit Commentary

### GRNLGR – Initial success in deleveraging promise

Following our note of [Greenland - Reiterate Buy on '21 and early '22 notes on good risk-reward on 25 Aug, 21](#), **We maintain OW on GRNLGR FRN'21 at 99.5 GRNLGR 6.25 '22(21P) at 97.5 and GRNLGR 7.25 Mar'22 at 96.75 (YTM ~13.8%). This is in view of GRNLGR's improved long-term debt maturity profile and good bank support with stable bank credit line (RMB418.3bn in 1H21 and RMB418bn in FYE2020).**

**Management guides to further reduce gross debt by RMB30bn to RMB250bn by end of 2021.** We assess Greenland will likely achieve this target by ensuring high cash collection of RMB320bn, at cash collection rate of 90% (vs. 1H2021: 89% and FY2020:86%), while keeping its land acquisition spending low (c. RMB70bn, 22% of cash collection). For full-year 2021, Greenland has guided a positive free cash flow of RMB40bn. So far the company has achieved 50% of this target, cut its net debt by RMB19bn in 1H21, partly through increasing bills payables (up RMB12.5bn to RMB38bn).

**Property recognized sales will likely accelerate in 2H21**, reaching RMB230bn for FY2021 (+18% yoy), from RMB97bn in 1H21 (flat yoy). This is backed by RMB434bn contract liabilities and RMB830bn unbooked revenue as of 30 Jun, 2021. Following this sales recognition and deleverage pace, we estimate Greenland has potential to further lower its net gearing to below 100%, meeting one more red-line to reach Yellow camp by end-2021.

**Offshore projects cash inflow can cover 50%-70% of USD bond maturity till end-2022.** Greenland projects cash inflow of RMB4.8bn in 2H21 from overseas projects delivery. For 2022, the company targets to sell RMB16bn offshore projects, with a net cash inflow of RMB7bn. Assuming smooth projects delivery, this can cover up to 70% of its RMB17.6bn (~USD2.7bn) offshore maturities till end of 2022. We believe Greenland will use its cross border funding pool to repatriate onshore fund for some offshore bonds repayment in 2022. As of 30 Jun, 2021, the company has RMB1.7bn cash offshore.

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