CMB INTERNATIONAL 招銀国际

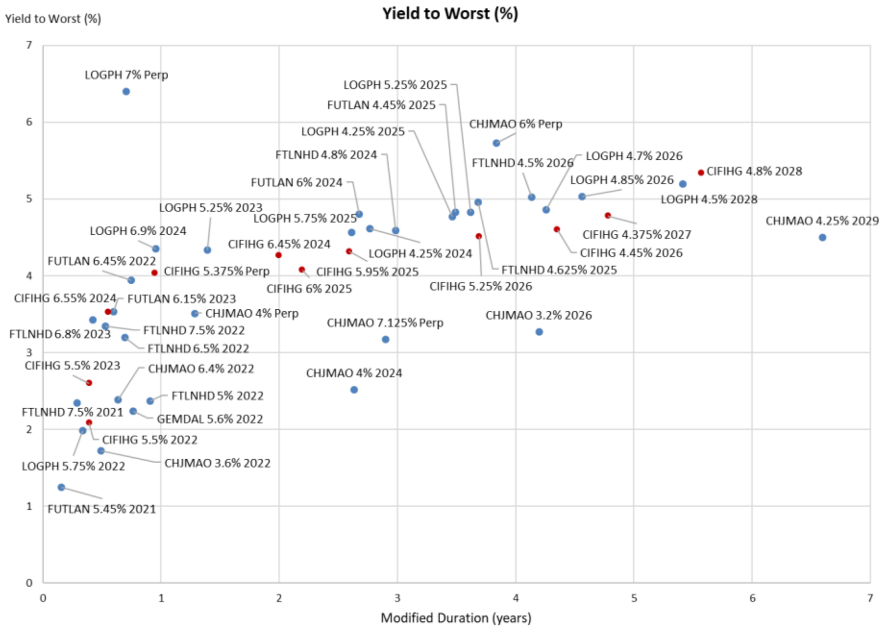
Fixed Income
Credit Commentary

27 Aug 2021

CMBI Credit Commentary - CIFIHG

CIFIHG: 1H21 result stable as expected

CIFI announced stable interim result with high revenue growth but further margin compression. CIFIHG curve performed relatively firm amid sell-off in the past two months, thanks to its solid credit profile. We considered CIFIHGs fairly priced at current valuations.



Margin declined but expected to be stabilized

In 1H21, CIFI's revenue increased 58.0% to RMB36.4bn and core net profit attributable to equity owner up 4.8% to 3.3bn. Gross margin further lowered to 20.7% (vs 25.6% in 1H20 and 21.7% in FY20) and core net profit margin also down to 9.2% (vs 13.9% in 1H20 and 11.2% in FY20). Future revenue is visible given its high unbooked revenue (RMB150bn) and contract liability (RMB93.5bn). Having said that, gross margin is expected to stay at current level (c20%) based on existing unbooked revenue margin. Total debts (including perp and lease liability) grew 4.2% to RMB112.9bn from RMB108.4bn in FY20. Debt composition remains healthy with bank loans, senior notes and onshore corporate bonds account for 60.7%, 27.4% and 10.0% of total debts (vs 56.8%, 28.3% and 11.6% in FY20).

James Wen 温展俊
(852) 3757 6291
jameswen@cmbi.com.hk

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Polly Ng 吴宝玲
(852) 3657 6234
pollyng@cmbi.com.hk

Wilson Lu 路伟同
(852) 3761 8918
wilsonlu@cmbi.com.hk

CMBI Fixed Income
fis@cmbi.com.hk

Target to enter green camp under “3-red-line” by FY21

CIFI lowered its net gearing to 64.0% (incl. perp as debts)/60.7% (not incl. perp) from 71.4%/64.2% in FY20. Unrestricted cash/ST debts ratio remained at 2.7x while adj. asset to liabilities ratio slightly improved to 72.1% from 72.5% in FY20. Company targets to lower adj. asset to liabilities ratio to below 70% and move to green camp by FY21.

Contracted sales on track to achieve full year target

CIFI achieved RMB157bn contracted sales in 7M21 (attributable ratio of c52%), representing 53% yoy growth and 59% full-year target. Company also maintained good cash collection ratio of above 90%. Management indicated that the company would slow down the expansion into new cities and target 15% attributable contracted sales growth in coming years given the tightening regulatory supervision in the industry.

Attributable ratio is expected to stay low

CIFI acquired 43 land parcels with attributable costs of RMB27.7bn and attributable ratio of 51%, which is in contrast to company’s target to increase its attributable ratio. MI/total Equity also further increased to 59.3% from 52.7% in FY20. As CIFI prioritize moving into green camp over immediate increase in attributable ratio, we expect its attributable ratio and MI/total equity ratio to maintain at current levels over the coming 1-2 years.

CMB International Securities Limited

Fixed Income Department
Tel: 852 3761 8867/ 852 3657 6291
fis@cmbi.com.hk

CMB International Securities Limited (“CMBIS”) is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIS does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIS recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIS, solely for the purpose of supplying information to the clients of CMBIS and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIS nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIS has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIS provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIS may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIS may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIS may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIS does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIS may have a conflict of interest that could affect the objectivity of this report and CMBIS will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIS.

Additional information on recommended securities is available upon request.

Disclaimer

CMBIS or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I)falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time)(“The Order”) or (II) are persons falling within Article 49(2) (a) to (d) (“High Net Worth Companies, Unincorporated Associations, etc.,) of the Order, and may not be provided to any other person without the prior written consent of CMBIS.

For recipients of this document in the United States

CMBIS is not a registered broker-dealer in the United States. As a result, CMBIS is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority (“FINRA”). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.