

CMBI Credit Commentary

CARINC – Steady 3Q2021 results, maintain OW

We maintain OW on CARINC '22 and CARINC '24 as a diversification play as volatility of similarly-rated Chinese property bonds remain high.

Steady operation despite Covid

In 3Q21, total revenue modestly fell -3% yoy to RMB1,529mn, on the back of -6%yoy lower car rental revenue due to Covid resurgence in August. In which, car rental revenue was RMB1,021mn, and used car disposal was RMB493mn. 3Q21 EBITDA remained steady at RMB 461mn vs 1H21's RMB 1,083mn.

More new car acquisition in 3Q21, leaving net debt balance largely unchanged from 1H21

Car Inc. spent RMB 993mn to acquire 10,414 units of new car; vs used car disposal inflow of RMB493mn. 9M21 ending cash balance remained at RMB2,131mn (vs 1H21's RMB2,151mn). Gross debt balance at RMB4,948mn (vs 1H21's RMB5,036mn)

Yet limited traction in Borgward car disposal

Car Inc. sold 500-800units of Borgward cars in 3Q21, this tracks behind its target to substantially reduce the proportion of Borgward cars in its fleet by 2022. (Current Borgward fleet remains 37k units, out of total fleet size of 106k). Difficulty to sell Borgward cars will cap its rating at 'B-', per S&P on 19 Oct, 2021.

Refinancing of its 2022 USD bond is made easier after its tender offer

Car Inc. recently repurchased USD93mn of 2022 USD bond, this lowered this 2022 outstanding notes amount to USD279mn. It should facilitate its refinancing in the run up to May 2022.

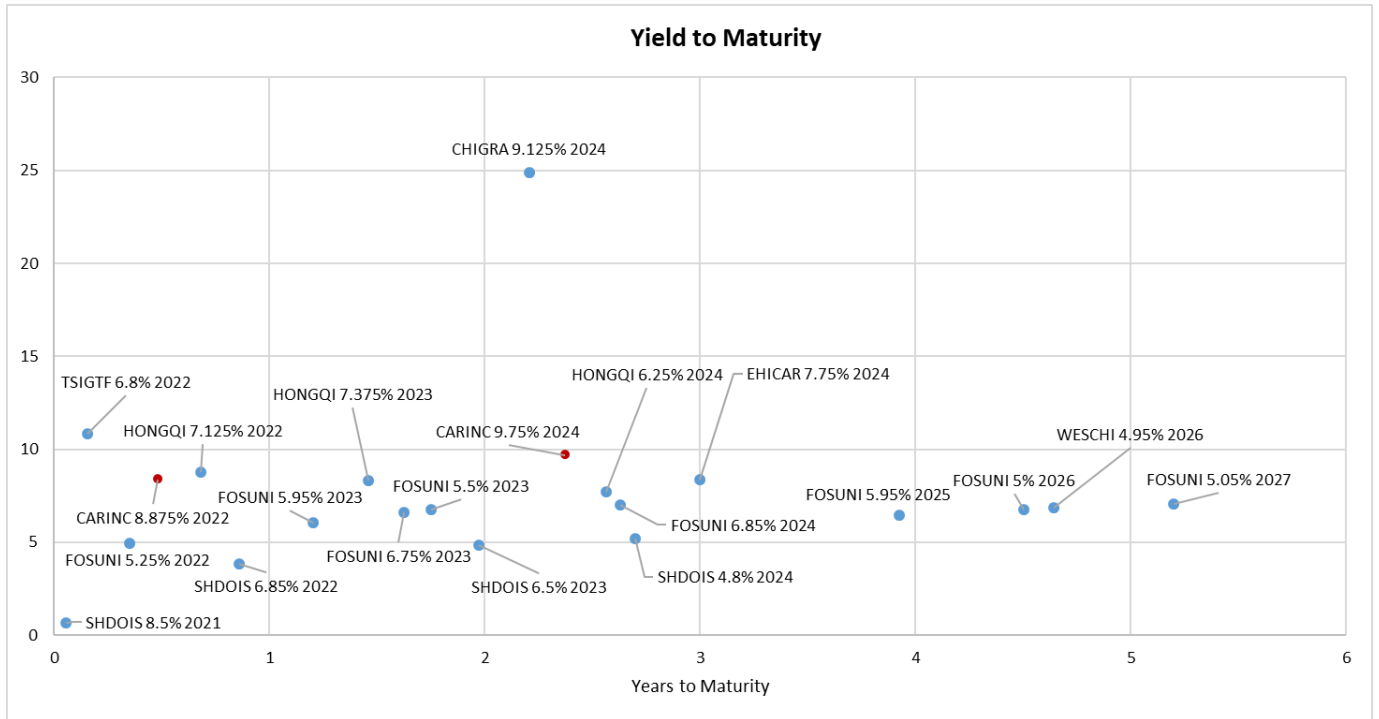
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