

CMBI Credit Commentary - GZRFPR

GZRFPR – The tender offer and consent solicitation

GZRF announced the tender offer and consent solicitation for the USD bonds of USD725mn due 13 Jan'22. In brief, the tender offer and consent solicitation allow investors to choose Option A: tender offer the bond at 83, subject to a maximum acceptance amount; Option B tender offer 50% of their holding at 100, subject to a maximum acceptance amount; and Option C: Consent to maturity extension by 6 months to 13 Jul'22, about 2 weeks ahead of the company's next USD bond maturity (o/s USD288mn) on 28 Jul'22.

The Options A and B will be subject to the maximum acceptance amount. For bonds tendered for the Option A, if the amount is in excess of the maximum acceptance amount, the remaining portion will be deemed to have been tendered for the Option B. The consent deadline will be on 4 Jan'22. A quick check on the OC, 90% of holders in principal amount appears to be the approval threshold for maturity extension despite the threshold is 75% as per the tender offer and consent solicitation memorandum.

Option	A	B	C
Tender offer	100% capped by max acceptance amt	50% capped by max acceptance amt	NA
Tender price	83.0	100.0	NA
Consent fee	0.1	0.1	0.1
Maturity for untendered bonds	13 Jul'22 (6 mth extension)	13 Jul'22 (6 mth extension)	13 Jul'22 (6 mth extension)

Upfront cash payment of mid-30 to mid-60 per 100, depending the maximum acceptance amount

Max acceptance amt		Upfront cash per 100 principal amount
A	B	
USD362.5mn (50% of principal amt)	USD362.5mn	66.5
USD290mn (40%)	USD290mn	63.2
USD217.5mn (30%)	USD217.5mn	54.9
USD145mn (20%)	USD145mn	36.6

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

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

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

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

We assume maximum acceptance level for both Options A & B are 40% to 100% of the principal amount, and evenly split between the Options A and B. We also assume that all the holders will pick Option A for certainty on upfront payment of 83, the untendered bonds will then be deemed for picking Option B and 50% of these, capped the maximum acceptance amount, will be tendered at par. the upfront cash payment will be in 36.6 to 66.5 per 100 in principal amount.

Revised GZRFPR 5.75%'22 to neutral

GZRFPR 5.75%'22 moved 2 pts lower after the announcement of tender offer and exchange. We are disappointed that GZRFPR 5.75%'22 will not be full repaid in a timely manner after major shareholders' capital commitment of RMB10.4bn and recent sale of the remaining stakes of GZ International Airport R&F Integrated Logistics Park for RMB1,263mn. The current valuation of GZRFPR 5.75%'22, in our view, fairly reflected upfront cash payment and the high refinancing risk for the untendered portion. We are neutral on other GZRFPRs.

CMB International Securities Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

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