

## CMBI Credit Commentary

### **CARINC '22 will be money good. But downgrade CARINC '24 to Hold**

#### **Lackluster 2021 results**

In 2021, CARINC's total revenue fell -10%yoy to RMB 5,539mn due to lower used car sales, EBITDA down 1%yoy to RMB 1,818mn. By segment, car rental revenue was unchanged, as its utilization increase (+14ppt to 68.1%) offset -17.3%yoy reduction in average fleet. ADRR (Average daily rental rate) remained unchanged at RMB 181, and RevPAC improved to RMB 123 on higher utilization. Total debt RMB 4,941mn vs cash RMB1,601mn, as such Debt/EBITDA modestly lowered to 2.7x (2020: 3.6x)

#### **CARINC '22 will be money good, but CARINC '24 will likely underperform**

CARINC will repay its May 2022 USD Notes (O/S USD 179.35mn) with internal resources, as we wrote in [our daily on 23 Feb 22](#). Post repayment, management expects its cash level will lower to c. RMB 500mn to service daily operation. However, there was limited traction to improve its bank borrowing channel in 2021, that its bank & other loan amount lowered to RMB 446mn by Dec' 2021, from RMB 871mn as of Dec 2020. We believe the company's lower cash reserve and slow progress in resuming its banking relationship will reduce its financial flexibility. It remains reliant on offshore bond market to refinance its CARINC 9.75 2024 notes. (Capital structure as of Dec' 2021: Bank and other loan of RMB 446mn; USD notes of RMB 3,344mn and CB of RMB 1,152mn)

#### **Downgrade CARINC '24 to Hold on operating challenge**

Covid resurgence will pressure the company's operating performance in 1H22. CAR Inc. also has a target to dispose 37k units of Borgward cars. (37% of its car fleet size) The company has entered into a definitive agreement with an independent reputable third party to dispose certain number of Borgward used vehicles. We downgrade CARINC '24 (YTM~15.7%, 90 mid) to Hold and we will monitor the Borgward used car disposal progress.

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