

## CMBI Credit Commentary - SUNAC

### SUNAC: Credit event and coupon missed

#### Pending for a comprehensive debt restructuring plan

Sunac appointed Houlihan Lokey as the financial advisor. As we wrote in our daily on 13 Apr'22, we expect Sunac to conduct a comprehensive liability management exercise to address the liquidity pressure and the short-dated SUNACs to move lower such that the whole SUNAC curve to trade flat. At 20ish, we believe that SUNACs have largely priced in the default and debt restructuring, taking cue from valuation of LOGPHs. Logan requested for suspension of trading of its shares and debt securities this morning, we expect more details to come with its debt restructuring plan which may provide a better gauge on Sunac's liability management exercise.

#### CDS credit event effectively made the default official

| Issuer | Fail to pay credit event date | Remarks  |
|--------|-------------------------------|--|
| Sunac  | 11 Apr'22                     | Non-payment of USD155mn loan facility from CCB   |
| Yuzhou | 27 Jan'22                     | Non-payment of YUZHOU 6%'22 due 25 Jan'22 and 8.625%'22 due 23 Jan'22 after exchange. USD104.9mn remains o/s |
| Logan  | 17 Mar'22                     | Non-payment of USD200mn facility to Perfect Odyssey  |
| Aoyuan | 29 Nov'21                     | Non-payment of USD150mn facility to King World   |

On 10 May'21, the Credit Derivative Determinations Committee (DC) decided the non-payment of USD155mn CCB facility a credit event and the grace period expired on 11 Apr'22. The DC decision effectively made the "default" of Sunac official. Over the past few months, the DC had concluded that credit events occurred for Aoyuan, Yuzhou and Logan. Indeed, the liquidity situation of Sunac was out of its own control subsequent to the multi-notch rating downgrade by the rating agencies. As reported, the downgrade had triggered early redemption of USD2-2.8bn of Sunac's offshore debts including PPs and loans.

#### Coupon missed to trigger cross-default

Sunac failed to pay the coupon of USD29.5mn on SUNAC 7.95%'23 prior to the expiry of grace period on 11 May'21. Indeed, Sunac also missed coupon payments of another 3 bonds totaled USD68.5mn to be cured before end of May'22. The failure to pay coupon will trigger cross default of its other obligation. Given the huge amount of accelerated redemption requirements and credit event concluded, the default and debt restructuring should no longer be a surprise.

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