

## CMBI Credit Commentary – EHICAR

### Weak 1Q22 results partly due to limited used car disposal

eHi Car reported sluggish 1Q22 result with revenue down to RMB919mn (-40.3%yoy; -23.7%qoq) and EBIT also lower to RMB0.13mn (RMB110mn in 1Q21; RMB24mn in 4Q21). The drag is mainly due to frozen used-car market (-88.8%yoy; -76.6%qoq) affected by COVID lockdown in Shanghai. Company's car rental revenue was stable at RMB872mn (-1.5%yoy; -4.0%qoq), thanks to its diversified footprint over the country. We expect to see improvement in its revenue and EBIT in 2H22 given the loosening restrictions in cities like Shanghai. Utilization rate in 1Q22 further declined to 57.2% (71.1% in 1Q21; 59.8% in 4Q21) and RevPAC also lower to RMB123 (RMB150 in 1Q21; RMB126 in 4Q21) due to its enlarged fleet size since 3Q21.

eHi Car's cash balance lowered to RMB496mn at Mar'22, from RMB752mn at Dec'21, after it repaid RMB329mn debts in Mar'22. The lockdown in Shanghai also led to slower cash collection from used car sales and higher account receivable, which partly worsened its cash position. However, the company managed to limit its Capex in purchasing vehicles with cash payment decreased to RMB51mn (-94.6%yoy; -58.1%qoq). Company stated in the investor call that company will vigilantly respond to COVID situation and will not rule out the chance to downsize its car fleet to raise cash. We believe company will be able to get through COVID restriction and debt repayment given its experience in FY20. As of end of May, company has already renewed RMB846mn bank loans and financials leases while repaid RMB329mn with cash. There are RMB463mn outstanding debts to be repaid/renewed this year and management expect to roll over for most debts (bank loans and finance lease with up to 16 months extension). We also draw comfort from policy support for SMEs financing that indicated by [cabinet meeting last week](#) and there is no major bullet debt due before EHICAR 7.75 2024.

Thus, we maintain Buy on EHICAR 7.75 2024 and recent price tumble provides dip buying opportunity at current valuation (cash price: 71; YTM: 24%).

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