

## **Lianhe Global has assigned ‘BB+’ to E-House (China) Enterprise Holdings Limited’s proposed USD notes**

HONG KONG, 03 December 2020 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BB+’ global scale Long-term Issuance Credit Rating to the proposed senior unsecured USD notes (“the USD notes”) to be issued by E-House (China) Enterprise Holdings Limited (02048.HK) (“E-House”, ‘BB+’/Negative).

E-House intends to use the net proceeds from this offering for refinancing its existing indebtedness.

### **Key Rating Rationales**

The USD notes are rated at the same level as E-House’s global scale Long-term Issuer Credit Rating of ‘BB+’ as they constitute E-House’s senior and unsecured obligations. E-House’s obligations for the USD notes shall rank pari passu with all its other present and future unsecured and unsubordinated obligations.

The Issuer Rating reflects E-House’s decent property pipelines and market position in its real estate agency services segment, close business relationships with top Chinese property developers and the growth prospect of its real estate brokerage network services segment.

The Negative Outlook on E-House’s rating reflects our expectation that E-House’s operating performance would be negatively impacted in 2020 from the risks and uncertainty associated with the COVID-19 outbreak on the China property market, coupled with the significant increase in debt level at end-2019, resulting in financial leverage to peak in the next 12-18 months. We would consider revising the Rating Outlook to Stable when there is a clear sign of recovery on E-House operating performance and demonstrated effort to sustainably manage its growth trajectory and financial leverage level.

### **Rating Sensitivities**

Any rating action on E-House’s rating would result in a similar rating action on the USD notes.

We would consider downgrading E-House’s rating if (1) its operating performance were to deteriorate as measured by an EBITDA margin to decrease to below 15% consistently, or (2) its financial leverage as measured by a debt/EBITDA ratio to increase to over 4.0x consistently, or (3) its operating performance and working capital management were to deteriorate such that its revenue experiences a material decline or operating cash flow shows sign of worsening.

An upgrade is unlikely given the negative outlook for E-House. However, if E-House’s operating efficiency were to exhibit a remarkable improvement such that it could maintain a sustainable positive operating cash flow, strengthen its profitability as measured by an

EBITDA margin to increase to above 35% consistently, and its financial leverage as measured by a debt/EBITDA ratio to decrease to below 2.0x consistently, we may consider upgrading E-House's rating.

### **About Lianhe Global**

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local government financing vehicles, and other asset classes around the globe. Lianhe Global also provides credit risk research and other services related to credit ratings.

### **Rating Methodology**

The principal methodology used in this E-House's rating is Lianhe Global's General Corporate Rating Criteria published on 16 July 2018, which can be found at the website [www.lhratingsglobal.com](http://www.lhratingsglobal.com).

**Note:** The above Issuer/Issuance Credit Ratings are solicited at the request of the rated entity or a related third party.

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