

Lianhe Global has assigned 'BB-' to Yango Group Co., Ltd's proposed USD bonds

HONG KONG, 11 June 2019 – 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 bonds (“the USD bonds”) to be issued by Yango Justice International Limited (“Yango Justice”) and guaranteed by Yango Group Co., Ltd (“Yango”; ‘BB-’/Stable). Yango Justice is a wholly-owned subsidiary of Yango.

Yango intends to use a substantial portion of the net proceeds from the USD bonds primarily for refinancing its existing indebtedness.

Key Rating Rationales

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

The Issuer Rating reflects Yango’s leading market position and brand recognition in the Chinese property market. However, Yango’s rating is constrained by its high financial leverage and lower-than-peer profitability.

The Stable Outlook reflects our expectation that Yango would acquire new land in a measured manner, lower its financial leverage and continue to improve its operating efficiency gradually to ease its liquidity position in the following 12 to 24 months.

Rating Sensitivities

Any rating action on Yango’s rating would result in a similar rating action on the USD bonds.

We would consider downgrading Yango’s rating if it were to aggressively replenish its land bank which results in an increase of its financial leverage as measured by an EBITDA interest coverage ratio to decrease to 1.2x or a debt/capitalisation ratio to increase to 86%, or its operating performance were to deteriorate such that either its contracted sales or cash flow from operating activities experience a material decline.

We would consider upgrading Yango’s rating if it were to lower its financial leverage as measured by a debt/capitalisation ratio to below 70% and improve profitability as measured by a gross margin at over 30% consistently.

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 Logan'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.

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

Contact Information

Primary Analyst
Alex Kung
Senior Director
(852) 3462 9577
alex.kung@lhratingsglobal.com

Secondary Analyst
Iris Jiang
Associate
(852) 3462 9583
iris.jiang@lhratingsglobal.com

Committee Chairperson
Joyce Huang
Senior Director
(852) 3462 9578
joyce.huang@lhratingsglobal.com

Business Development Contact
Joyce Chi
Managing Director
(852) 3462 9569
joyce.chi@lhratingsglobal.com

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