

Lianhe Global has assigned 'BB' to Yuzhou Properties Company Limited's proposed USD notes

HONG KONG, 23 October 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 notes (“the USD notes”) to be issued by Yuzhou Properties Company Limited (“Yuzhou”; ‘BB’/Stable).

Yuzhou intends to use the net proceeds from this offering for refinancing its existing indebtedness and for general corporate purposes.

Key Rating Rationales

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

Yuzhou’s rating reflects Yuzhou’s established market position in the Chinese property market, which is evident by its strong contracted sales growth, a higher-than-peer gross margin, and high-quality land bank primarily located in tier 1 and 2 cities in China. However, Yuzhou’s rating is constrained by its elevated financial leverage as compared with its peers.

The Stable Outlook on Yuzhou’s rating reflects our expectation that Yuzhou would continuously maintain a gross margin above 30% and expand its operating scale through active land acquisitions to sustain its contracted sales growth while managing its debt growth at a moderate level.

Rating Sensitivities

Any rating action on Yuzhou’s rating would result in a similar rating action on the USD notes.

We would consider downgrading Yuzhou’s rating if it were to (1) report a below industry average gross margin, or (2) increase its financial leverage as measured by an EBITDA interest coverage ratio at below 3.0x as a result of its expansion plan.

We would consider upgrading Yuzhou’s rating if it were to (1) report a sustained growth both in scale and diversity while maintaining its leverage as measured by a debt over land bank ratio at below 70% and (2) maintain an EBITDA interest coverage ratio at above 5.0x persistently.

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 Yuzhou'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
James Lee
Associate Director
(852) 3462 9587
james.lee@lhratingsglobal.com

Secondary Analyst
Alex Kung
Senior Director
(852) 3462 9577
alex.kung@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

Disclaimer

Credit rating and research reports published by Lianhe Ratings Global Limited (“Lianhe Global” or “the Company” or “us”) are subject to certain terms and conditions. Please read these terms and conditions at the Company’s website: www.lhratingsglobal.com

A credit rating is an opinion which addresses the creditworthiness of an entity or security. Credit ratings are not a recommendation to buy, sell, or hold any security. Credit ratings do not address market price, marketability, and/or suitability of any security nor its tax implications or consequences. Credit ratings may be subject to upgrades or downgrades or withdrawal at any time for any reason at the sole discretion of Lianhe Global.

All credit ratings are the products of a collective effort by accredited analysts through rigorous rating processes. No individual is solely responsible for a credit rating. All credit ratings are derived by a credit committee vesting process. The individuals identified in the reports are solely for contact purpose only.

Lianhe Global conducts its credit rating services based on third-party information which we reasonably believe to be true. Lianhe Global relies on information including, but not limited to, audited financial statements, interviews, management discussion and analysis, relevant third-party reports, and publicly available data sources to conduct our analysis. Lianhe Global has not conducted any audit, investigation, verification or due diligence. Lianhe Global does not guarantee the accuracy, correctness, timeliness, and/or completeness of the information. Credit ratings may contain forward-looking opinions of Lianhe Global which may include forecasts about future events which by definition are subject to change and cannot be considered as facts.

Under no circumstances shall Lianhe Global, its directors, shareholders, employees, officers and/or representatives or any member of the group of which Lianhe Global forms part be held liable to any party for any damage, loss, liability, cost, expense or fees in connection with any use of the information published by the Company.

Lianhe Global receives compensation from issuers, underwriters, obligors, or investors for conducting credit rating services. None of the aforementioned entities nor its related parties participate in the credit rating process aside from providing information requested by Lianhe Global.

Credit ratings included in any rating report are solicited and disclosed to the rated entity (and its agents) prior to publishing. Credit rating and research reports published by Lianhe Global are not intended for distribution to, or use by, any person in any jurisdiction where such use would infringe local laws and regulations. Any user relying on information available through credit rating and research reports is responsible for consulting the relevant agencies or professionals accordingly to comply with the applicable local laws and regulations.

All published credit rating and research reports are the intellectual property of Lianhe Global. Any reproduction, redistribution, or modification, in whole or part, in any form by any means is prohibited unless such user has obtained prior written consent from us.

Lianhe Global is a subsidiary of Lianhe Credit Information Service Co., Ltd. The credit committee of Lianhe Global has the ultimate power of interpretation of any methodology or process used in the Company’s independent credit ratings and research.

Copyright © Lianhe Ratings Global Limited 2019.