MOODY'S
RATINGS

Rating Action: Moody's Ratings downgrades Yanlord's ratings to B2/B3; outlook stable

16 May 2025

Hong Kong, May 16, 2025 -- Moody's Ratings (Moody's) has downgraded Yanlord Land Group Limited's (Yanlord) corporate family rating (CFR) to B2 from B1, and the backed senior unsecured rating on the bond issued by Yanlord Land (HK) Co., Limited, a wholly-owned subsidiary of Yanlord, to B3 from B2. The bond is guaranteed by Yanlord.

At the same time, we have changed the outlook on the ratings to stable from negative.

"The downgrade reflects Yanlord's reduced operating scale, as shown in ongoing contracted sales declines, which will continue to weaken its operating performance and credit metrics over the next 12-18 months," says Daniel Zhou, a Moody's Ratings Assistant Vice President and Analyst.

"The stable outlook reflects our expectation that Yanlord will maintain adequate liquidity to meet all funding needs over the next 12-18 months," adds Zhou.

RATINGS RATIONALE

Yanlord's B2 CFR reflects the company's established brand name and high-quality products. The rating also considers Yanlord's adequate liquidity, despite narrowing buffer, and solid recurring rental income from its investment properties (IP) in China and Singapore.

On the other hand, the rating is constrained by Yanlord's reduced operating scale, declining sales, weakening credit metrics, geographic concentration, as well as significant exposure to joint venture businesses.

Yanlord's gross contracted sales decreased to RMB22.2 billion in 2024, continuing the decline trend reported in 2023. The weakened sales performance was driven by the lingering sector challenges and its significant slowdown in land replenishment.

We forecast Yanlord's annual contracted sales to fall moderately by around 5% over the next 12-18 months. While latest policy stimulus may support its sales, the effect will likely be constrained by the ongoing reduction in salable resources.

The contracted sales decline will further reduce Yanlord's revenue and cash flow over the next 12-18 months.

This will be partially helped by the recurring income generated from Yanlord's established IP portfolio, particularly the projects in Singapore that benefit from a stable operating environment. Such rental income could enhance the quality of Yanlord's EBITDA and cash flow.

We project Yanlord's debt leverage, as measured by adjusted debt/EBITDA, will increase to around 7.0x over the next 12-18 months from 4.3x in 2024. Its adjusted EBIT/interest coverage will also decline to around 2.0x from 3.8x for the same period.

Yanlord's liquidity remains adequate. The company's cash balance of RMB10.2 billion as of end-2024 and operating cash flow are sufficient to address its debt maturities in the next 12-18 months, including the USD500 million bond due in May 2026.

Yanlord's ability to raise secured loans by pledging the company's IP portfolio can also support its liquidity. Meanwhile, an increase in reliance on secured borrowings will reduce Yanlord's financial flexibility.

The company's B3 senior unsecured debt rating is one notch lower than the CFR due to structural subordination risk. This risk reflects the fact that the majority of claims are at the operating subsidiaries and have priority over Yanlord's senior unsecured claims in a bankruptcy scenario. In addition, the holding company lacks significant mitigating factors for structural subordination. As a result, the likely recovery rate for claims at the holding company will be lower.

In terms of environmental, social and governance (ESG) factors, we have considered Yanlord's concentrated ownership, with its largest shareholder and chairman, Mr. Zhong Sheng Jian, holding an approximately 71.55% direct and indirect stake (excluding treasury shares) in the company as of 10 March 2025.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

We could upgrade Yanlord's ratings if the company strengthens its sales performance and credit metrics, and continue to maintain adequate liquidity.

We could downgrade Yanlord's ratings if its liquidity becomes inadequate; its contracted sales drop more than our expectation; or its credit metrics weaken further, with EBIT/interest coverage falling below 1.5x or debt/EBITDA above 8.0x, both on a sustained basis.

The principal methodology used in these ratings was Homebuilding and Property Development published in October 2022 and available at https://ratings.moodys.com/rmc-documents/394515. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

Yanlord is a real estate developer in China and Singapore, and is listed on the Singapore Exchange. It had land bank with total gross floor area of about 6.4 million square meters as of December 2024, located mainly across six geographic regions in China, including the Yangtze River Delta, the Greater Bay Area, the Bohai Rim, Central China, Hainan and Western China. The company also has residential development projects and investment properties in Singapore.

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