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ISSUER COMMENT
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Yanlord Land Group Limited

First-half 2018 credit profile stable; growth to remain slow

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Yanlord Land Group Limited's (Ba2 stable) credit metrics in first-half 2018 are in line with our expectations and will not immediately affect the company's Ba2 corporate family rating or stable rating outlook.

Yanlord's profit margin and EBIT interest coverage are better than many of its Chinese property peers, and its liquidity position is strong. These strengths support its credit profile.

We expect Yanlord's EBIT/interest coverage to remain strong, while it will experience moderate leverage in the next 12-18 months, based on the expectation of strong profit margins and slow revenue growth during the same period.

Exhibit 1
Yanlord Land Group Limited

RMB million	2017	LTM Jun 2018	% Change	1H17	1H18	Y/Y Change
Reported Revenue	25,638	31,891	24%	10,598	16,851	59%
Adjusted Gross Profit Margin	47.2%	47.1%	0%	46.6%	46.5%	0%
EBIT / Interest	7.3x	7.6x	5%	7.3x	8.1x	11%
Revenue/ Adjusted Debt	70%	78%	11%	N/A	N/A	N/A
Reported Cash/Short-Term Debt	698%	232%	-67%	257%	232%	-10%

Note: [1] All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] The 1H 2018 figures are extracted from announced unaudited results. [3] Moody's estimates are made where detailed disclosures required for Moody's Global Standard Adjustments are not available in the announced results
Source: Company information and Moody's Financial Metrics

Strong profit margin to support interest coverage

Yanlord's adjusted gross profit margin was high at 47% in the first half of 2018, largely unchanged from 2017. We expect that its gross profit margin is likely to decline because of continued tight regulations on property selling prices, but it will remain strong at around 40% in the next 12-18 months.

Meanwhile, we expect Yanlord's revenue growth in full-year 2018 to be moderate, driven by modest contracted sales in 2017 and first-half 2018.

Consequently, Yanlord's EBIT/interest is likely to move toward 5.0x in the next 12-18 months; this level will still support its credit profile.

EBIT interest coverage improved to 7.6x for the 12 months ended June 2018 from 7.3x in 2017, because of higher average selling prices of products delivered during the first half of 2018, particularly from projects in Shanghai. These levels of interest coverage are strong compared with many of Yanlord's Ba-rated Chinese property peers.

Yanlord achieved contracted sales of RMB13.1 billion in the first seven months of 2018, around 40% of its full-year target of RMB32 billion-35 billion for 2018. We expect its second-half 2018 contracted sales will be higher than first-half 2018, supported by its saleable resources of more than RMB40 billion in key Tier 1 and Tier 2 cities, mainly in Shanghai, Nanjing, Tianjin, Zhuhai and Suzhou, among others.

Leverage to remain modest in the next 12-18 months

We expect Yanlord's leverage, as measured by revenue/adjusted debt, will be 70%-75% in the next 12-18 months on the back of likely slower revenue growth during the same period. This level is modest for its Ba2 corporate family rating.

The company's leverage, as measured by revenue/adjusted debt, improved to 78% for the last 12 months ended June 2018, from 70% in 2017, driven by 59% year-on-year growth in first-half 2018 revenue compared with the same period of last year.

Meanwhile, Yanlord's net debt increased with adjusted net debt/net capitalization weakening to 45% in June 2018 from 35% in December 2017 mainly because of a reduction in its cash holdings to RMB11.8 billion in June 2018 from RMB17.8 billion in December 2017. The company's total reported debt increased modestly to RMB37.6 billion at the end of June 2018 from RMB33.1 billion at the end of December 2017.

We expect Yanlord to control growth in net debt, as it will be prudent in making debt-funded land acquisitions in the next 12-18 months. Its land purchase spending totaled RMB5.5 billion in first-half 2018, accounting for around 52% of its contracted sales during the same period, lower than its 59% in 2017.

Liquidity remains strong

Yanlord's liquidity position is strong. As at the end of June 2018, its cash balance totaled RMB11.8 billion, covering 2.3x of its short-term debt. Its short-term debt remained low at around 14% of total reported debt at the end of June 2018. The company's cash on hand will be sufficient to cover its short-term debt and committed land payments over the next 12-18 months.

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