

Debt Restructure for Embattled Evergrande



In the latest in the ongoing Evergrande crisis, the Chinese mega-developer has finally announced a plan to restructure \$20 billion of its off-shore debt. This would allow them to defer payments, provided creditors agree to the terms.

CNN Business reports that this move will help ease the \$22.7 billion Evergrande owes in international debt, and quotes Evergrande themselves as stating: “The proposed restructuring will alleviate the company’s pressure of offshore indebtedness and facilitate the company’s efforts to resume operations and resolve issues on shore.”

Evergrande Recap

The move comes on the back of some investors losing patience with the property giant, which first defaulted back in 2021, and had failed to deliver a debt re-structuring plan until now.

CNN Business notes that: “In June [2022], an Evergrande investor filed a lawsuit in Hong Kong seeking to wind up the company, which forced its hand.”

Debt to Equity

In their own report on the restructuring, South China Morning Post (SCMP) notes that Evergrande “offered its creditors a choice of replacing existing debt with new bonds maturing in five to 12 years. They could also swap debt for shares of the developer or its units in property management services or electric-car [EV] manufacturing.”

They add, however, that investors will “need to think hard about the debt-to-equity swap”, given that Evergrande’s EV division is itself in somewhat troubled waters.

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“Green Shoots”

Despite Evergrande and other indebted developers still struggling to meet their obligations, SCMP points out that the Chinese economy overall, including property, seems headed for recovery.

They state: “Since the government abandoned its zero-Covid policy, the economy is humming again, and pro-growth bureaucrats in Beijing are preparing to pump in more liquidity to grease activity. Green shoots are emerging from the \$2.6 trillion property market, sustaining the bond party since late October.”

Positioned for Recovery

It’s a sentiment we’ve seen echoed elsewhere as well, including in a recent statement by International Monetary Fund Managing Director Kristalina Georgieva. Georgieva noted that China’s anticipated 5.2% increase in GDP this year means the nation will “account for around one third of global growth in 2023—giving a welcome lift to the world economy.”

Whether property giants like Evergrande can accelerate their own recovery to take advantage of this economic boost remains to be seen. For our part, we’ll keep an eye on the situation and report back as it develops.

