



RATING ACTION COMMENTARY

Fitch Downgrades Wanda Commercial, Wanda HK to 'C' After Missed Coupon Payment

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Fitch Ratings - Hong Kong - 21 Jul 2023: Fitch Ratings has downgraded the Long-Term Foreign-Currency Issuer Default Rating (IDR) on Dalian Wanda Commercial Management Group Co., Ltd. (Wanda Commercial) to 'C', from 'B', and that of Wanda Commercial Properties (Hong Kong) Co. Limited (Wanda HK) to 'C', from 'B-'. Fitch has also downgraded the rating on US dollar notes guaranteed by Wanda HK and issued by Wanda Commercial's subsidiaries to 'C', from 'B-'. The Recovery Rating is 'RR4'. All the ratings have been removed from Rating Watch Negative.

The downgrades follow Wanda Commercial's failure to pay a coupon on its USD400 million bond due 2025, which was due on 20 July 2023. The 'C' rating is in line with Fitch's rating definition for an issuer that has entered into a grace period following non-payment of a material financial obligation.

KEY RATING DRIVERS

Missed Bond Coupon Payment: Management confirmed to Fitch that Wanda Commercial did not pay a coupon due on 20 July 2023, but expects to make the interest payment within the grace period. According to the terms of the prospectus, the issuer has a 10-day grace period to pay the interest before an event of default is triggered.

Bond Repayment Uncertain: Wanda Commercial is still in the process of preparing sufficient funds to repay the USD400 million bond maturing on 23 July 2023. The bond has no grace period for principal payment, and any missed payment would constitute an event of default.

Parental Linkage Considerations: Fitch no longer applies our Parent and Subsidiary Linkage (PSL) Rating Criteria to assess the linkage between Dalian Wanda Group Co., Limited, Wanda Commercial's 44% parent, and Wanda Commercial. The latter's rating is

driven by the fact that it has entered into a grace period to cure the missed coupon payment.

Fitch rates Wanda HK and Wanda Commercial based on the PSL criteria. The companies' IDRs are the same, as we assess their Standalone Credit Profiles as being equal in a distressed scenario. Wanda HK is Wanda Commercial's fully owned sole offshore financing platform and overseas investment-holding company.

DERIVATION SUMMARY

The ratings on Wanda Commercial and Wanda HK reflect the non-payment of the bond interest and its entry into the 10-day grace period.

KEY ASSUMPTIONS

Fitch's Key Assumptions Within Our Rating Case for the Issuer:

- Available cash balance, including 40% of wealth-management products, maintained at CNY20 billion-30 billion in 2023-2024.
- No equity financing cash inflow due to timing uncertainty.

Recovery Rating on Wanda HK

The calculation is based on 2021 annual results, as no 1H22 or 2022 results are available. The recovery analysis assumes that Wanda HK would be liquidated in a bankruptcy. Fitch assumes a 10% administrative claim.

Liquidation Approach

The liquidation estimate reflects Fitch's view of the value of balance-sheet assets that can be realised in the sale or liquidation processes conducted during a bankruptcy or insolvency proceeding and distributed to creditors.

- Advance rate of 0% is applied to excess cash after netting off payables and other payables.
- Advance rate of 50% is applied to investment properties, supported by Wanda HK's hotels and shopping malls, which generate rental yields of above 6%.
- Advance rate of 70% is applied to accounts receivable. This is more conservative than the 80% in Fitch's criteria, as the ending balance is outdated.

The allocation of value in the liability waterfall results in a Recovery Rating corresponding to 'RR3' for offshore senior debt. However, the Recovery Rating is capped at 'RR4', because under Fitch's Country-Specific Treatment of Recovery Ratings Criteria, China falls into Group D of creditor friendliness, and instrument ratings of issuers with assets in this group are subject to a cap of 'RR4'.

RATING SENSITIVITIES

Wanda Commercial and Wanda HK

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Resolution of the missed interest payment for the 2025 bond within the grace period and repayment of the USD400 million bond due on 23 July 2023

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Failure to pay the interest due on the 2025 bond within the grace period or repay the principal of the USD400 million bond due on 23 July 2023

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Non-Financial Corporate issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

ISSUER PROFILE

Wanda Commercial is China's largest shopping mall owner and one of the largest commercial property owners rated by Fitch.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Wanda Commercial has an ESG Relevance Score of '4' for Financial Transparency, because Wanda Group is a private company and its financial disclosure to Fitch is limited. We have obtained audited financial reports and access to Wanda Group's management, but information about the group's other principal subsidiaries may be limited. The uncertainty over Wanda Group's financial transparency has a negative impact on the credit profile, and is highly relevant to the rating.

Wanda Commercial has an ESG Relevance Score of '4' for Group Structure, because there is a lack of transparency, particularly in intra-group transactions between Wanda Commercial and Wanda Group. This includes regarding the issuance of guarantees or other forms of credit enhancement, or contractual features of debt, such as subordination or ringfencing, that affect the risk profile of Wanda Commercial, which indicates weak group structure. This has a negative impact on the credit profile, and is highly relevant to the rating.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡			RECOVERY ⚡	PRIOR ⚡
Dalian Wanda Commercial Management Group Co., Ltd.	LT IDR	C	Downgrade		B Rating Watch Negative
Wanda Commercial Properties (Hong Kong) Co. Limited	LT IDR	C	Downgrade		B- Rating Watch Negative
Wanda Properties International Co. Limited					

senior unsecured	LT	C	Downgrade	RR4	B- Rating Watch Negative
Wanda Properties Overseas Limited					
senior unsecured	LT	C	Downgrade	RR4	B- Rating Watch Negative
Wanda Properties Global Co. Limited					
senior unsecured	LT	C	Downgrade	RR4	B- Rating Watch Negative

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

[Corporates Recovery Ratings and Instrument Ratings Criteria \(pub. 09 Apr 2021\)](#)
(including rating assumption sensitivity)

[Corporate Rating Criteria \(pub. 29 Oct 2022\)](#) (including rating assumption sensitivity)

[Country-Specific Treatment of Recovery Ratings Criteria \(pub. 04 Mar 2023\)](#)

[Sector Navigators: Addendum to the Corporate Rating Criteria \(pub. 13 May 2023\)](#)

[Exposure Draft: Climate Vulnerability in Corporate Ratings Criteria \(pub. 10 Jun 2023\)](#)
(including rating assumption sensitivity)

[Parent and Subsidiary Linkage Rating Criteria \(pub. 17 Jun 2023\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.1.0 ([1](#))

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

Endorsement Policy

ENDORSEMENT STATUS

Dalian Wanda Commercial Management Group Co., Ltd.	EU Endorsed, UK Endorsed
Wanda Commercial Properties (Hong Kong) Co. Limited	EU Endorsed, UK Endorsed
Wanda Properties Global Co. Limited	EU Endorsed, UK Endorsed
Wanda Properties International Co. Limited	EU Endorsed, UK Endorsed
Wanda Properties Overseas Limited	EU Endorsed, UK Endorsed

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