

Evergrande Group is on the Brink of a Liquidity Crisis and the Media is Mostly Silent

by u/wetdirtkurt

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Evergrande Group [Hong Kong], the 122nd largest group in the world by revenue in 2021 (\$79.176 Billion USD), is on the brink of a liquidity crisis and the media is mostly silent. - Aug. 27, 2021

Due Diligence

CONTEXT

Under mounting pressure from [financial regulators](#) to shore up its finances, [China Evergrande Group](#) is poised to dump more of its sprawling empire.

The clock is ticking for billionaire Hui Ka Yan and his company, which is laden with \$300 billion in liabilities to banks, suppliers and homebuyers. Despite getting temporary [relief](#) from some major creditors, the message from policy makers is clear: Evergrande must resolve its debt woes fast enough to avoid roiling the world's second-largest economy.

While it's unclear if other lenders are making similar accommodations, the extensions will give the troubled property giant room to **accelerate efforts to sell assets and stave off a liquidity crisis**. Reports in recent weeks about wary banks and ratings agencies as well as unpaid suppliers have stoked fears of a potential default, **causing Evergrande's stock and bonds to crater**.

The Evergrande Group is China's second-largest property developer by sales, making it the 122nd largest group in the world by revenue, according to the 2021 Fortune Global 500 List. It is based in southern China's Guangdong Province, and sells apartments mostly to upper and middle-income dwellers. In 2018, it became the world's most valuable real estate company.

The holding company of the group is incorporated in the Cayman Islands. Its headquarters are in the Excellent Houhai Financial Center in Nanshan District, Shenzhen.

On August 19 2021, the Financial Times reported that Evergrande Group is facing a record number of cases filed by contractors in Chinese courts as pressure mounts on the company's management to reduce its debts.

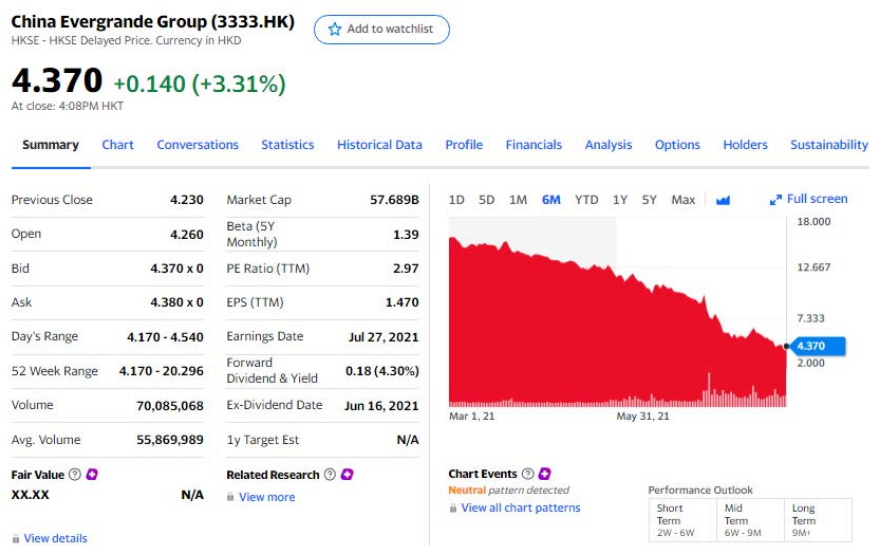
WHY DOES THIS DEBT RIDDLED COMPANY IN CHINA MATTER?

<https://preview.redd.it/nd27v1sbhzj71.png?width=800&format=png&auto=webp&s=1daf307c24cf50a83488c61c0a96bf820d0a6ee7>



China has been a hot bed for foreign investment for quite a while. Inflows from the US and Europe have dropped, but regional investment has continued to increase as flows from ASEAN countries grow. **Hong Kong, Singapore, the Virgin Islands, South Korea, the Cayman Islands, Japan, Germany and the United States** are major investors.

However, in just six months - this company has managed to wipe away **OVER \$100 Billion USD** in value from their stock price.



Not to mention, this company also trades on the OTC market in the USA under Ticker \$EGRNF. Although, American institutions don't seem to be holding a significant amount of this company (at least anymore), it does go to show that this company's default would have or already has had some effect on the US equity market.

Remember Gary G releasing that video regarding Chinese companies incorporated in the Cayman islands? HMMMMMM I wonder why...

<https://twitter.com/GaryGensler/status/1427364280383442945?s=20>

WHAT IS HAPPENING WITH THIS COMPANY RIGHT NOW?

[Bloomberg Video "Evergrande Fire Sale Just Getting Started" \(1min 26 sec\)](#)

Dialogue script for those who hate videos:

- Reporter 1: "The bonds once again taking a tumble... and we have this headline from 'Red' saying that China wants this so called market oriented approach"
- Reporter 2: "I mean its pushing a pretty hefty slide in the bonds, they tumbled to record lows last night. I mean this 'market oriented approach' - we've been talking about this for years when it comes to Beijing and policy makers. What I think is spooking investors is this disagreement between local officials and central government. **So what this could mean is that the central government has asked local officials to potentially allow some kind of failure or some kind of reckoning for all the masses of debt that Evergrande has raised. That's really what's spooking investors**"
- Reporter 3: "So simply, there's not enough money to go around and its such a complex thread of relationships that somethings gotta give."

- Reporter 2: "Yeah, there also saying there's a mis-payment on their trust loan. So clearly there is a huge web of debt here - loans, bonds, accounts payable. Investors just don't have a window into what is going on here."

FINAL THOUGHTS

Some motha fucker in China built a \$150 Billion USD real-estate company, invested in a shit ton of other ventures that aren't related and racked up \$300 Billion USD in debt. Now they are facing a liquidity crisis and Gyna is like "LMAOOO BRUH YOU R FUK" and is suggesting to let them fail.

This company may potentially wipe HALF A TRILLION USD in value off the face of the earth in 6 months. China, and more specifically Hong Kong, is a leading country/city for finance. Evergrande potentially has financial ties and investors in many major countries. If they default, the ripple effect of their illiquidity will be felt **"around the worldddd, around the world... around the worrrllld.... around the word"**.

[https://preview.redd.it/8jh3xj8slzj71.png?](https://preview.redd.it/8jh3xj8slzj71.png?width=480&format=png&auto=webp&s=9fcc3711476360fb198384444df2d52fcfe6088c)

[width=480&format=png&auto=webp&s=9fcc3711476360fb198384444df2d52fcfe6088c](https://preview.redd.it/8jh3xj8slzj71.png?width=480&format=png&auto=webp&s=9fcc3711476360fb198384444df2d52fcfe6088c)



TLDR

Banks involved with this company could be facing liquidity issues if this company defaults - Not to mention another housing crisis in the second largest country by GDP. Oh ya also, the eviction moratorium in the USA ended yesterday - lmao housing is fuk.

Credit might tighten up and banks may go looking for other ways to recoup and de-risk their balance sheet. This could ripple to other banks around the world and cause a global slowdown in financial sectors. If this hits the US markets, equities could fall... and marge will call.

Check mate Bill Hwang - Gotta get those numbers up.

Check out another users DD on this same topic, posted 30 days

ago: https://www.reddit.com/r/Superstonk/comments/orykb0/evergrande_norchukin_and_dr_burrry_first_go_at/?utm_source=share&utm_medium=ios_app&utm_name=iossmf

Thanks for reading. My name is Wet Dirt Kurt, but you can call me Mud.

