

IPO write-up

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Stock Information

Stock code:	1681 HK
Issue size:	250m shares (all new shares)
Green shoe option:	15%
Public/Placement tranche:	10%/90%
Share issue price:	HKD3.63-4.36
Market cap after listing:	HKD3,630-4,360m
Use of proceeds (net):	HKD897.5m, 40% infrastructure investment, 20% R&D, 15% expand marketing and distribution networks, 15% potential M&A, 10% general working capital.
Application list open	9th- 12th Dec 2013
Expected listing date:	19th Dec 2013
Book runners:	BOCI
Profit forecast:	N/A
Dividend policy:	No fixed dividend policy (indicative only)
PER:	12.5-15x FY14E PER (media reports)
Post IPO shareholders	Hony Capital (under Lenovo) (22.43%), Mr. Young (16.0%), Ms. Li (12.0%), Mr. An (20.2%)
Cornerstone investors	Greenwoods Funds. Total investment HKD226.5m, 5.7% of post-IPO share capital, 22.7% of offer shares.

Consun Pharma

Company background

Consun Pharma (“Consun”) is an integrated pharmaceutical company principally engaged in the research, manufacturing and sale of modern Chinese medicines and medical contrast medium in the PRC. Its key product, uremic clearance granule (尿毒清顆粒), is a leading modern Chinese medicine for treating kidney disease in the PRC. It has consistently ranked first in the market of oral modern Chinese medicines for kidney disease in the PRC from 2008 to 2012 in terms of retail sales, commanding a market share of 24.1% in 2012. It has also consistently ranked among the top three in the market of kidney medicines in the PRC from 2008 to 2012 in terms of retail sales. The other key product, gadopentetate dimeglumine injection (鈹噴酸葡胺注射液), was ranked third in the market of MRI medical contrast medium in the PRC in 2012 in terms of retail sales, commanding a market share of 17.1%.

Selling points and strength

- 1) Leading position in the market of oral modern Chinese medicines for kidney disease in the PRC.
- 2) Strong marketing capabilities with extensive national sales network.
- 3) Strong research and development capabilities with the ability to realize commercialization.
- 4) Comprehensive production facilities in strategically located production plants with stringent quality control.

Some points of concern

- 1) Consun is currently dependent on the sales of the two key products, uremic clearance granule and gadopentetate dimeglumine injection.
- 2) There is no assurance that its products will continue to be, or new products developed by the company will be, listed in the National List of Essential Medicines or the National Medical Insurance Medicines Catalogue or recognized as a national Chinese medicine protection type by the CFDA.

Financial Summary (Year ended Dec 31)

CNY'000	FY2010	FY2011	FY2012	1H13
Revenue	303,713	389,305	457,801	228,390
Cost of sales	(63,728)	(95,507)	(111,112)	(50,023)
Gross profit	239,985	293,798	346,689	178,367
Net profit	79,258	107,301	136,206	59,066
Gross profit margin (%)	79.0%	75.5%	75.7%	78.1%
Net profit margin (%)	26.1%	27.6%	29.8%	25.9%

Source: Company data, Maybank Kim Eng

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