

IPO write-up

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Stock Information

Stock code:	1390 HK
Issue size:	125m shares (all new shares)
Green shoe option:	15%
Public/Placement tranche:	10%/90%
Share issue price:	HKD2.96-3.59
Market cap after listing:	HKD1,480-1,795m
Use of proceeds (net):	HKD346m, 3% additional marketing and promotional activities, 10% development and improvement of technology, 15% potential acquisition, 50% expand international operations, 12% expand offline payment service business, 10% general working capital
Application list open	6th- 11th Dec 2013
Expected listing date:	19th Dec 2013
Book runners:	Daiwa
Profit forecast:	FY6/14 net profit no less than HKD68.1m
Dividend policy:	No fixed dividend policy (indicative only)
PER:	22-26x FY6/14E PER, according to profit forecast
Post IPO shareholders	Digital Garage (60.4%), Sumitomo Mitsui Card (7.5%), Credit Saison (5.6%)
Pre-IPO investors	TIS Inc. (JPY500m), Dentsu Digital Investment (HKD7m). Total around 2.5-3.0% of post IPO share capital

Econtext Asia

Company background

Econtext Asia (“Econtext”) is a leading provider of online payment services and e-commerce solutions in Japan. The company was one of the leading online payment and e-commerce providers in Japan based on the aggregate revenue from online transactions processed for the 2011 and 2012. Since 1997, the company has designed and marketed system solutions that facilitate online payment transactions and e-commerce solutions for online merchants in Japan.

Selling points and strength

- 1) Recurring and scalable revenue business model based on a large customer base.
- 2) Broad range of payment options and strong relationships with payment networks.
- 3) Trusted and well recognized brand in Japan.
- 4) Providing online merchants with payment and other value-added service that offer an integrated e-commerce experience and cost effectiveness.
- 5) Experienced technology development team dedicate to improving user experience.

Some points of concern

- 1) Econtext may experience breakdowns in information technology systems that could damage customer relations and expose the company to liability.
- 2) The company may experience software defects, computer viruses and development delays, which could damage customer relations, decrease potential profitability and expose the company to liability.
- 3) Investments in foreign markets expose the company to risk associated with conditions in those markets.

Financial Summary (Year ended Jun30)

HKD	FY6/11	FY6/12	FY6/13
Revenue	278,655,841	492,437,415	1,166,509,419
Cost of sales	(195,867,780)	(352,920,137)	(853,279,507)
Gross profit	82,788,061	139,517,278	313,229,912
Net profit	24,455,634	42,965,617	64,908,390
Gross profit margin (%)	29.7%	28.3%	26.9%

Source: Company data, Maybank Kim Eng

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