

IPO write-up

Jin Tian Pharm

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Stock Information

Stock code:	2211 HK
Issue size:	500m shares (400m new shares, 100m old shares)
Green shoe option:	15%
Public/Placement tranche:	10%/90%
Share issue price:	HKD2.91-4.23
Market cap after listing:	HKD5,820-8,460m
Use of proceeds (net):	HKD1,361m, 40% acquisitive expansion, 30% fund organic growth, 20% promotion of brands and products, 10% general working capital
Application list open	2nd- 5th Dec 2013
Expected listing date:	12th Dec 2013
Book runners:	Morgan Stanley, DBS, Bocom International
Profit forecast:	FY13 net profit no less than CNY325m
Dividend policy:	No fixed dividend policy (indicative only)
PER:	14-21x FY13E PER, based on profit forecast
Post IPO shareholders	Founder Mr. Jin (45.1%), Private equity CVC capital (16.1%)
Pre-IPO investors	Private equity CVC capital, (16.1% of post IPO share capital), DBS Nominee (4.8%), SEAVI (3.8%)

Company background

Jin Tian Pharmaceutical (“Jin Tian”) is one of the leading pharmaceutical retailers and distributors in Northeast China. The company has the largest pharmaceutical retail chain and is the largest privately-owned pharmaceutical distributor in Northeast China. The pharmaceutical sales of Northeast China accounted for approximately 7.1% of the total sales of China’s pharmaceutical market in 2012. During the Track Record Period, Jin Tian maintained rapid growth in revenue and gross profit. From 2010 to 2012, retail and distribution revenues grew at a CAGR of 53.6% and 73.1%, respectively. Such growth rates were the highest among all leading pharmaceutical retailers and distributors operating in Northeast China during the same periods.

Selling points and strength

- 1) Jin Tian has a leading position in the Northeast China pharmaceutical industry.
- 2) The company has the ability to generate high profit margins.
- 3) Jin Tian has implemented an effective Direct-supply Model.

Some points of concern

- 1) Revenue has been significantly dependent on sales in Northeast and Northern China and any decrease in sales in Northeast or Northern China would materially and adversely affect business, financial condition and results of operations.
- 2) Jin Tian relies on suppliers to supply all of its pharmaceutical products, including Licensed Products, and failure to maintain business relationships with them may adversely affect the company.
- 3) The company has limited or no control over its suppliers and the quality of the products supplied. If their performance does not meet expectations, Jin Tian could be exposed to liabilities, business operations and reputation could suffer.

Financial Summary (Year ended Dec 31)

CNY'000	FY2010	FY2011	FY2012	1H13
Revenue	858,613	1,473,902	2,326,292	1,456,990
Cost of sales	(618,872)	(1,095,758)	(1,780,523)	(1,073,274)
Gross profit	239,741	378,144	545,769	383,716
Net profit	122,510	180,117	213,760	150,780
Gross profit margin (%)	27.9	25.7	23.5	26.3
Net profit margin (%)	14.3	12.8	9.8	11.3

Source: Company data, Maybank Kim Eng

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