

## IPO write-up

# Kerry Logistics

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### Stock Information

Stock code:	636 HK
Issue size:	216.0715m shares (all new shares)
Green shoe option:	15%
Public/Placement tranche:	10%/90%
Share issue price:	HKD8.8-10.2
Market cap after listing:	HKD14.5848-16.9051b
Use of proceeds (net):	HKD1.9079b, 51% capex for further expansion and acquisition, 40% repaying loans, 9% general working capital
Application list open	6th- 11th Dec 2013
Expected listing date:	19th Dec 2013
Book runners:	BOCI, Citi, HSBC, Morgan Stanley
Profit forecast:	FY13 net profit no less than HKD1,829m; core net profit no less than HKD880m
Dividend policy:	20% core FY13 net profit , no guidance afterwards (indicative only)
PER:	14.9-17.3x FY14E PER (media reports)
Post IPO shareholders	Kerry Group (67.65%)
Pre-IPO investors	N/A

### Company background

Kerry Logistics (“Kerry”) is a leading logistics service provider in Asia, in terms of revenue and GFA of warehouse managed, with extensive operations across Greater China and other countries in the region, as well as the largest Hong Kong-based international third-party logistics service provider. The company is principally engaged in the integrated logistics and international freight forwarding businesses and currently has more than 400 service locations in 35 countries and territories across Asia, Australia, Europe, and North and South America, including three countries in which Kerry operates through sales staff. In 2012, Kerry was one of the largest third-party logistics service providers in Greater China and ASEAN, in terms of revenue. In 2012, Kerry derived approximately 82% of revenue from Asia. As at 28 Nov 2013, Kerry managed approximately 39 million sq.ft. of logistics facilities in 19 countries and territories, of which the vast majority was located in 12 countries and territories in Asia.

### Selling points and strength

- 1) Kerry is the market leader in Greater China and Asia, the fastest growing logistics markets globally, supported by a global network and a premium brand.
- 2) Kerry has its customized supply chain solutions comprising a wide range of integrated logistics and international freight forwarding services.
- 3) Asset ownership model offering increased flexibility and reliability.

### Some points of concern

- 1) Businesses are significantly affected by changes in global economic conditions as well as Asia’s domestic consumption and trade volumes, and are dependent on customers’ business performance.
- 2) Businesses in Hong Kong are exposed to fluctuations in rental rates and operations in China are subject to stringent licensing requirements.

### Financial Summary (Year ended Dec 31)

HKD’000	FY2010	FY2011	FY2012	1H13
Revenue	10,879,909	16,034,311	19,294,775	9,521,789
Direct operating expenses	(9,229,716)	(13,603,383)	(16,601,460)	(8,095,600)
Gross profit	1,650,193	2,430,928	2,693,315	1,426,189
Net profit	833,257	870,744	1,069,376	903,555
Core net profit	665,182	740,748	815,720	455,084
Adjusted EBITDA	1,005,486	1,440,667	1,657,366	903,003
Gross margin (%)	15.2	15.2	14.0	15.0
Net margin (%)	9.0	7.0	7.0	11.1
Adjusted EBITDA margin (%)	9.2	9.0	8.6	9.5

Source: Company data, Maybank Kim Eng

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