

## IPO write-up

# Logan Property

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### Stock Information

Stock code:	3380 HK
Issue size:	750m shares (all new shares)
Green shoe option:	15%
Public/Placement tranche:	10%/90%
Share issue price:	HKD2.10-2.50
Market cap after listing:	HKD10,500-12,500m
Use of proceeds (net):	HKD1,619.7m, 70% acquisition of land parcels, 20% repaying bank loans, 10% general working capital
Application list open	10th- 13th Dec 2013
Expected listing date:	20th Dec 2013
Book runners:	Macquarie, BOCI, Bocom Int'l, Haitong Int'l
Profit forecast:	N/A
Dividend policy:	20% FY13 core profit, no guidance afterwards (indicative only)
PER:	10-12x annualized 1H13A PER (prospectus)
Post IPO shareholders	Founder Mr Ji (85.0%)
Cornerstone investors	N/A

### Company background

Logan Property ("Logan") is a property developer in the PRC focusing on the residential property market, and its products are primarily targeted at first-time homebuyers and upgraders. In 2012, Logan ranked as the 46<sup>th</sup> largest property developer in the PRC by sales. Logan has developed residential property projects in 11 cities in economically prosperous and emerging regions of the PRC, such as Guangdong and Guangxi Provinces, the Chengdu-Chongqing economic region and Hainan Province.

### Selling points and strength

- 1) Logan has a land bank comprising land it acquired at competitive prices, which provides a solid foundation for its future growth and profitability.
- 2) Effective cost control over the entire property development process.
- 3) Leveraging its considerable strength in various cities in southern China, Logan can readily expand into nearby cities.
- 4) Its ability to develop quality living communities that enhance the image and value of the surrounding area.

### Some points of concern

- 1) Logan is heavily dependent on the performance of the PRC property market, particularly in Guangdong Province, where 53 of its 70 property development projects were located as of October 31 2013.
- 2) Logan's operations are also subject to extensive government regulations, and in particular, the company is susceptible to changes in government policies relating to the PRC property industry, including measures designed to discourage speculation and curtail overheating.

### Financial Summary (Year ended Dec 31)

CNY'000	FY2010	FY2011	FY2012	1H13
Turnover	2,851,658	3,447,474	6,587,660	3,332,205
Direct Costs	(2,070,466)	(2,062,001)	(4,027,359)	(2,307,004)
Gross profit	781,192	1,385,473	2,560,301	1,025,201
Net profit	926,251	1,247,583	1,794,068	435,386
Core net profit	413,141	611,061	1,178,136	408,572
Gross profit margin (%)	27.4	40.2	38.9	30.8
Core net profit margin (%)	14.5	17.7	17.9	12.3
Total saleable GFA delivered (sq.m)	456,012	510,687	838,917	412,738

Source: Company data, Maybank Kim Eng

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