

IPO write-up

Magnum Entertain.

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Stock Information

Stock code:	2080 HK
Issue size:	84m shares (all new shares)
Green shoe option:	15%
Public/Placement tranche:	10%/90%
Share issue price:	HKD1.00-1.50
Market cap after listing:	HKD300-450m
Use of proceeds (net):	HKD80.4m. 50% opening costs of Zentral, 20% marketing, 20% research expansion plan outside HK, 10% general working capital
Application list open	13 Jan- 16 Jan
Expected listing date:	23 Jan
Book runners:	Anglo Chinese, Bocom International
Profit forecast:	N/A
Dividend policy:	No fixed dividend policy
PER:	22-34x annualized PER, based on Apr-Aug13A profit
Post IPO shareholders	Chairman Mr. Yip Mow Lum (72%)
Cornerstone investors	N/A

Company background

The Group operates the largest group of clubbing venues in Hong Kong, in terms of gross floor areas and premise capacity. In the view of the Lan Kwai Fong Association, the Group is a leader in the clubbing industry in Hong Kong and all the Clubs are highly successful, professionally operated and have developed strong reputation for quality service. The three clubbing venues of the Group are all located at the heart of the popular night entertainment area of Hong Kong known as the Lan Kwai Fong area. The Clubs are individually branded to target a range of customers and each offers a different but upscale atmosphere to cater for those customers or the mood of the customers on any given evening. Although the atmosphere and setting are differentiated at each venue of the Group, it endeavours to provide a high standard of customer service in all Clubs.

Selling points and strength

- 1) Upscale Clubs with established reputation.
- 2) High quality music, entertainment and clubbing experience.
- 3) Standardized operations and economies of scale enabled by large size of Clubs and number of Clubs.
- 4) In-house production of marketing materials and direct marketing.

Some points of concern

- 1) Various approvals, licenses and permits are required to operate the Group's business and the loss of or failure to obtain or renew any or all of these approvals, licenses and permits could materially and adversely affect its business and results of operations.
- 2) Any regulatory changes may affect the Group's business and results of operations.
- 3) Liquor licenses of the Clubs are held by individual employees.
- 4) The Group may not be able to renew leases for its existing Clubs on favorable terms or at all.

Financial Summary (Year ended Mar31)

HKD'000	FY11	FY12	FY13	Apr-Aug2013
Turnover	69,986	137,148	173,995	71,748
Gross profit	58,779	113,315	142,210	58,312
Net profit	16,082	29,167	28,034	5,574
Gross profit margin (%)	84.0%	82.6%	81.7%	81.3%
Net profit margin (%)	23.0%	21.3%	16.1%	7.8%

Source: Company data, Maybank Kim Eng

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