

IPO write-up

Sinolife United

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Stock Information

Stock code:	3332 HK
Issue size:	203.8m shares (all new shares)
Green shoe option:	15%
Public/Placement tranche:	10%/90%
Share issue price:	HKD1.50-2.00
Market cap after listing:	HKD1,222.4-1,630.0m
Use of proceeds (net):	HKD333.9m. 43% expand production facilities, 34% marketing and promotional activities, 18% expand existing sales network, 5% general working capital
Application list open	31 Dec 2013 - 8 Jan 2014
Expected listing date:	15 Jan 2014
Book runners:	Bocom International
Profit forecast:	N/A
Dividend policy:	Around 30% dividend payout ratio (indicative only)
PER:	16-21x 1H13A annualized PER
Post IPO shareholders	Founders Mr. Gui and Ms. Wu (65%), Shanghai Fosun (7.5%)
Cornerstone investors	Town Health International (3886 HK) USD5m, represents 10.9% of offer shares, or 2.7% of post-IPO share capital

Company background

Sinolife United (“Sinolife”) is a fast-growing nutritional supplements retailer in a large and rapidly growing nutritional supplements industry in China. The nutritional supplements industry in China had a market size of over RMB580 billion in 2012. Sinolife manufactures and sells high quality and safe nutritional supplements under its two key brands, namely Zhongsheng (中生) and Cobayer (康培爾), through self-managed retail stores in first- and second-tier cities in China, and a number of key products are among the top selling products in their respective product categories in China.

Selling points and strength

- 1) Sinolife is well positioned to capitalize on high growth opportunities in the large and fast-growing nutritional supplements industry in China.
- 2) The company has established an effective brand-based marketing strategy and has achieved strong brand recognition in target markets.
- 3) The fast-growing retail network and diversified sales platform enable Sinolife to serve a broad customer base and meet growing and different customer demand.
- 4) The company offers a broad, diversified product mix with a number of top selling products in their respective product categories in China and maintains a strong pipeline of nutritional supplements for future development.

Some points of concern

- 1) The company has experienced rapid growth and significantly expanded its business in recent years. Failure to effectively manage its rapid growth could materially and adversely affect business prospects and results of operations.
- 2) Sinolife’s turnover has been, and may continue to be, significantly dependent on sales in certain geographic markets.

Financial Summary (Year ended Dec 31)

CNY’000	FY10	FY11	FY12	1H13
Turnover	66,850	103,244	150,372	85,965
Gross profit	53,262	83,164	130,096	74,701
Net profit	15,788	34,814	57,237	29,700
Gross profit margin (%)	79.7	80.6	86.5	86.9
Net profit margin (%)	23.6	33.7	38.1	34.5

Source: Company data, Maybank Kim Eng

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