

IPO FACT SHEET
Hong Kong Johnson Holdings Co., Ltd. (1955)
ISSUE STATISTICS

Offer Size:	HK\$125m – HK\$150m
Placement Tranche:	125m
Price:	HK\$1.00– HK\$1.20
Board lot:	2,000
Entry fee:	HK\$2,424.18
Historical PE	22.9x – 27.5x
Net tangible asset per share:	HK\$0.52 – HK\$0.57
Market Cap (post-IPO):	HK\$500m – HK\$600m
Open:	27 Sep 2019
Close:	12.00 noon on 3 Oct 2019
Trading:	16 Oct 2019
Sponsor:	Southwest Securities (HK) Capital Limited

Year ended 31 Mar	(HK '000)	yoy % chg
Revenue		
2018	1,286,021	6.8%
2019	1,433,383	11.5%
Profit for the year		
2018	35,931	-18.9%
2019	21,807	-39.3%

BACKGROUND

- The Group is a leading environmental hygiene service provider providing a wide range of environmental hygiene services in Hong Kong.
- According to the Industry Report, they ranked the first among the environmental hygiene service providers based in Hong Kong in terms of revenue and market share in 2018.
- Led by their dedicated management team, they achieved steady growth in revenue and gross profit despite the fact that they had a thin net profit margin during the Track Record Period.
- According to Frost & Sullivan, their Group's thin net profit margin is in line with the industry norm due to the increased competition and labour intensive nature of industry.
- During the Track Record Period, over 90% of their total cost of services was attributable to labour costs.

BUSINESS STRATEGIES

- Enhance their ability to undertake new projects and improve their operational efficiency.
- Expand the variety of their services.
- Upgrading their hardware and software and recruiting talents to cope with their business growth and enhance the quality of their service.

COMPETITIVE STRENGTHS

- A leading environmental hygiene service provider in Hong Kong, which has a long history under the established brand "Johnson".
- Long-standing and stable relationship with key customers in both government and non-government sectors.
- They have competitive edge in the government sector.
- They are capable to undertake sizeable project.
- Stringent safety, quality and environmental control system.
- Highly experienced management.

KEY RISKS

- Their revenue is derived from service contracts awarded through tendering processes or quotations submission and there is no guarantee that their customers will award new service contracts to us or renew their existing service contracts in the future.
- They make estimation of project costs when they submit tender or quotations and their profitability may be adversely affected if they inaccurately estimate the costs involved in the implementation of any project.
- They face liquidity risk in relation to working capital requirements associated with service contract.

DIVIDEND POLICY

- No fixed dividend policy.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
Financing the upfront cost to manage the cash flow mismatch between salaries payment and collection of sales receipt.	34.8	34.8%
Enhancing their operational efficiency and quality of their environmental hygiene service by upgrading their hardware and software as well as recruiting additional talents mainly for contracting and operation department.	19.0	19.0%
Acquiring suitable new specialised motor vehicles for rendering environmental hygiene service.	17.4	17.4%
Development of waste management business including, among others, to develop or acquire businesses related to waste management such as running of fleets.	17.0	17.0%
Purchase of suitable new automated cleaning machineries and equipment mainly for rendering environmental hygiene service.	5.8	5.8%
general working capital	6.0	6.0%
Total:	100.0	100.0%

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