

IPO FACT SHEET

Activation Group Holdings Limited (9919)

ISSUE STATISTICS

Offer Size:	HK\$342.0m – HK\$468.0m
Placement Tranche:	200.0m
Price:	HK\$1.71 – HK\$2.34
Board lot:	2,000
Entry fee:	HK\$4,727.16
Historical PE	28.3x – 38.7x
Net tangible asset per share:	HK\$0.51 – HK\$0.66
Market Cap (post-IPO):	HK\$1,368.0m – HK\$1,872.0m
Open:	31 Dec 2019
Close:	12.00 noon on 9 Jan 2020
Trading:	16 Jan 2020
Sponsor:	Dongxing Securities (Hong Kong) Company Limited

Year ended 31 Dec	(RMB'000)	yoy % chg
Revenue		
2017	492,466	36.1%
2018	684,335	39.0%
Profit for the year/period		
2017	25,459	-33.9%
2018	43,517	70.9%

BACKGROUND

- The Group is a leading and fast growing integrated marketing solutions provider that focuses on the provision of (i) experiential marketing, (ii) digital and brand communication, and (iii) public relations services which mainly operates in Shanghai and Beijing with coverage in Greater China.
- According to the CIC Report, in 2018 the Group ranked first, accounting for approximately 6.3% of the market share, in the experiential marketing services for premium and luxury brands market in Greater China, the market where the Group is operating and which has a market size of approximately RMB7.9 billion.
- Its clients consist of international premium and luxury brands in the fashion industry as well as the automobile industry through which it has developed a strong and stable client relationship. During the Track Record Period, it derived approximately 29.1%, 40.1%, 26.6% and 32.6% of its revenue from the five largest brands of clients, respectively.
- During the Track Record Period, the Group received certain government grants from the PRC government as an incentive to support its business development, contribution to local economies and contribution to the development of cultural industry in specific cities. For FY2016, FY2017, FY2018 and 6M2019, it received government grant of approximately RMB6.2 million, RMB4.2 million, RMB6.6 million and RMB6.4 million, respectively.

BUSINESS STRATEGIES

- Scale up its integrated marketing solutions business, recruit high caliber talent and improve operating efficiency, in particular for its digital and brand communication services.
- Expand its geographical coverage and increase its clientele by establish an office in Paris for expanding its client base in the European market.
- Expand its geographical coverage and increase its clientele by establish an office in Guangzhou and capture business opportunities arising from the Bay Area.
- Expansion through acquisition and cooperation.
- Scale up its IP development business.

COMPETITIVE STRENGTHS

- The leading and fast growing experiential marketing service provider for premium and luxury brands market in Greater China.
- One stop integrated marketing solutions provider for international premium and luxury brands in the Greater China market.
- Visionary management with strong experience and a mechanism that rewards management and business partners with ownership to encourage cooperation and expansion.
- Proven track record of acquisition and cooperation for expansion and successful integration of acquired businesses, which its Activation Digital and Activation PR have grown substantially after its acquisition.
- Exclusive rights to organise authorised events and other rights for marketing, sponsorship, merchandising and other uses in the PRC for two major international sporting IPs, LaLiga Club and Le Tour de France, which set a solid foundation for it to capture the vast sports market in the PRC.
- Well positioned to capture the market opportunities, riding on factors such as (i) the increase of high net income and mass affluent population in the PRC; (ii) substantially higher marketing budget for premium and luxury brands; and (iii) Central government's promotion of the sports industry.

KEY RISKS

- If it fails to achieve the marketing objectives of the international premium and luxury brand owners, it could lose clients.
- The Group relies on key personnel and may not be able to retain their services.
- The Group's business depends on its ability to maintain its existing business with international premium and luxury brand owners and its ability to attract new clients and it generally does not enter into long term business contracts with its clients.
- Its relatively short operating history as an integrated marketing solutions provider may make it difficult to evaluate its prospects and future financial results.
- Its business is relevant to the business and the brand recognition of its clients in the premium and luxury brands and automobile brands.
- The Group's business and industry are subject to global economic and market conditions.
- The Group engages third party service providers to provide various services. Their failure to provide the Group with timely and high quality products and services to it may materially and adversely affect its business operations.

DIVIDEND POLICY

- No fixed dividend policy.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
To develop and expand its existing business of integrated marketing solutions and IP development	198.5	55.9%
As cash reserve for strategic investment funds for seeking suitable cooperation or investment opportunities which have strategic benefits to the Group	121.6	34.2%
For general replenishment of working capital and other general corporate purpose	35.0	9.9%
Total:	355.1	100.0%

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