

IPO FACT SHEET
China Beststudy Education Group (3978 HK)
ISSUE STATISTICS

Offer Size:	HK\$333.08m – HK\$439.06m
Placement Tranche:	151.4m shares
Price:	HK\$2.20 – HK\$2.90
Board lot:	1,000
Entry fee:	HK\$ 2,929.23
Historical PE	28.4x – 37.4x
Net tangible asset per share:	HK\$0.81 - HK\$0.94
Market Cap (post-IPO):	HK\$1,769.9m - HK\$2,333.1m
Open:	12 Dec 2018
Close:	12.00 noon on 17 Dec 2018
Trading:	27 Dec 2018
Sponsor:	CMB International Capital Limited

Year ended 31 Dec	(RMB'000)	yoy % chg
Revenue		
2016	896,131	17.9%
2017	1,141,701	27.4%
Profit/(Loss) for the years/period		
2016	58,018	-17.7%
2017	65,809	13.4%

BACKGROUND

- They were the largest K-12 after-school education service provider in southern China and the fifth largest nationwide as measured by total student enrollments and revenue in 2017, according to the F&S Report.
- They offer a diverse spectrum of K-12 after-school education services and products, including the Premium Learning Program and the Elite Talent Program, as well as other school subject-related courses including the Full-time Test Preparation Program.
- Their Premium Learning Program is designed to improve students' academic performance in schools, and covers all key academic subjects taught in primary schools, middle schools, and high schools in China.
- Their Elite Talent Program is designed to nurture the all-round development of their students and make the learning process more engaging and enjoyable.
- Their Full-time Test Preparation Program aims to help middle school and high school graduates achieve admission to their preferred schools through Zhongkao (中考) and Gaokao (高考).

BUSINESS STRATEGY AND FUTURE PLANS

- Continue to optimize and diversify their service offerings.
- Increase existing market penetration and expand their geographic coverage.
- Further integrate information technology into their services and operation management.
- Pursue selective strategic alliances and acquisitions.

COMPETITIVE STRENGTHS

- The largest K-12 after-school education service provider in southern China with substantial growth potential.
- Strong brand recognition.
- Comprehensive and innovative service offerings.
- Highly qualified teaching team underpinned by rigorous teacher training and well-established career pathway.
- Effective and quality teaching powered by their strong research and development capabilities and innovative high-tech tools.

- Professional and experienced management team with proven track record.

KEY RISKS

- If they are unable to continue attracting students to enroll in their education programs at reasonable costs, their business and prospects may be materially and adversely affected.
- They face intense competition in the PRC education industry which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departure of qualified employees and increased capital expenditures if they are unable to compete effectively.
- They are exposed to geographical concentration risks as their operations are heavily concentrated in Guangzhou.
- Their business depends on their ability to recruit, train and retain dedicated and qualified teachers, senior management and other qualified personnel.
- Higher labor costs, particularly increasing teachers' salary, may adversely affect their business and their profitability.

DIVIDEND POLICY

- No fixed dividend policy.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation (%)
For the expansion of their business network, including: (1) Strengthening their presence in southern China, and (2) expanding nationally into new cities or counties with unserved or underserved demand for K-12 after-school education services. In particular, they plan to establish approximately 150 new education centers spanning across a number of major cities in Guangdong province and elsewhere in southern China and nationwide by the end of 2020.	182.6	50.0%
For seeking strategic alliances and acquisitions to support and expand their operations. They will primarily consider the following factors when analyzing and selecting a potential investment and acquisition target: (1) being ranked among the top three K-12 education service providers in the local market; (2) concentrating its business in Guangdong province, southern China and/or other first-tier cities in China; (3) profit-generating or with potential for generating profits; (4) ability to create synergies with their existing education centers and business development strategies; (5) having an experienced and visionary management team with strong initiatives, credibility, as well as sound execution capabilities; (6) possessing technologies and education resources that complement their existing businesses; (7) competitiveness of the relevant market in which the target operates; and/or (8) growth potential of the target's business.	109.6	30.0%
For investments to improve their teaching quality, including: (1) Investing in new technologies, such as advanced information technology platforms, artificial intelligence and data analytics to facilitate their teaching process, and (2) developing new education products and services.	73.0	20.0%
Total:	365.2	100.00%

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