

IPO FACT SHEET

China Feihe Limited (6186)

ISSUE STATISTICS

Offer Size:	HK\$6,700.05m – HK\$8,933.4m
Placement Tranche:	893.34m
Price:	HK\$7.50 – HK\$10.00
Board lot:	1,000
Entry fee:	HK\$10,100.77
Historical PE	26.93x – 35.90x
Net tangible asset per share:	HK\$1.65 – HK\$1.89
Market Cap (post-IPO):	HK\$67,000.1m – HK\$89,333.4m
Open:	30 Oct 2019
Close:	12.00 noon on 5 Nov 2019
Trading:	13 Nov 2019
Sponsor:	J.P. Morgan Securities (Far East) Limited, China Merchants Securities (HK) Co., Limited and CCB International Capital Limited

Year ended 31 Dec	(RMB'000)	yoy % chg
Revenue		
2017	5,887,260	58.1%
2018	10,391,917	76.5%
Profit for the year/period		
2017	1,160,226	185.7%
2018	2,242,254	93.3%

BACKGROUND

- The Group is the largest and most highly recognized Chinese brand infant milk formula company, according to the F&S Report.
- As the prominent market leader, their brand ranked first among domestic and international peers with a market share of 7.3% in terms of 2018 retail sales value, according to the F&S Report.
- Their company also ranked first among domestic infant milk formula groups with a market share of 15.6% in terms of 2018 retail sales value, and ranked second among overall domestic and international infant milk formula groups with a market share of 7.3% in terms of 2018 retail sales value.
- With longstanding expertise in the infant milk formula business, their brand has a unique value proposition as “More Suitable for Chinese Babies” (更適合中國寶寶體質).
- Their products are designed to closely simulate the composition of the breast milk of Chinese mothers through in-house research and development formulations, with the aim of achieving an optimal balance of key ingredients for Chinese babies based on their biological physique.

BUSINESS STRATEGIES

- Solidify market leadership through accelerating penetration in upper-tier cities and expansion in Southern China.
- Broaden product offering with new variety to infants throughout their development stage and to pre and post-natal mothers.
- Innovate and trade-up through new product launches and targeted marketing initiatives creating a “one-stop shop” platform for consumers.
- Continue to enhance their production efficiency and invest in new facilities.

COMPETITIVE STRENGTHS

- Leading brand with one of the fastest-growing super-premium products among major brands.
- Well-managed nationwide distribution network with precise inventory tracking.

- Unique customer experience and creative marketing initiatives.
- Product innovation and robust pipeline of new launches.
- Stringent safety control standards with proven track record.
- Consistent commitment to high quality raw materials.
- Visionary, experienced and committed management team with a proven record in delivering growth and profitability.

KEY RISKS

- They may not be able to continue to achieve a high rate of growth in revenue and profitability.
- They may experience negative publicity or media reports related to product tampering, adulteration, counterfeiting and quality control concerns.
- They may experience customer complaints or product liability and recall claims for any undetected defects in our products.
- They rely on a limited number of dairy producers as their major suppliers of fresh milk, and any shortage or interruption in supply from such suppliers could delay their production and reduce sales of their products.
- Disruption of their production operations and supply chain could materially and adversely affect their business.
- They are exposed to risks relating to their current expansion or plans for future expansion into overseas markets.
- Their operating results may be materially and adversely affected by changes in prices and quality of raw materials.
- They may fail to respond to changes in consumer preferences and market trends and introduce commercially viable products.

DIVIDEND POLICY

- They intend to distribute to their Shareholders no less than 30% of their net profit for each financial year going forward after Listing.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
For the repayment of offshore debt.	3,008.8	40.0%
For potential merger and acquisition opportunities.	1,504.4	20.0%
For funding the operation of their Kingston Plant, which is expected to commence operations in January 2020.	752.2	10.0%
For their research and development activities of overseas infant milk formula and nutritional supplement products.	752.2	10.0%
For funding the expansion of Vitamin World USA operations	376.1	5.0%
For their marketing initiatives	376.1	5.0%
For the working capital and general corporate purposes.	752.2	10.0%
Total:	7,522.0	100.0%

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