

IPO FACT SHEET
Design Capital Limited (1545)
ISSUE STATISTICS

Offer Size:	HK\$150m - HK\$195m
Placement Tranche:	500m
Price:	HK\$0.30-HK\$0.39
Board lot:	10,000
Entry fee:	HK\$3,939.31
Historical PE	14.7-19.1x
Net tangible asset per share:	HK\$0.144-HK\$0.165
Market Cap (post-IPO):	HK\$600m- HK\$780m
Open:	11 Apr 2019
Close:	12.00 noon on 16 Apr 2019
Trading:	25 Apr 2019
Sponsor:	Southwest Securities (HK) Capital Limited

Year ended 31 Dec	(\$'000)	yoy % chg
Revenue		
2017	100,929	11.5%
2018	109,744	8.7%
Profit for the year		
2017	8,544	41.7%
2018	6,918	-19.0%

BACKGROUND

- The Group is a longstanding furniture seller on third party e-commerce platforms in the U.S., a mid to high-end furniture retailer in Singapore and an integrated home design solutions provider mainly in Singapore.
- Founded in 1981, they commenced their operations as an interior design solutions provider, mainly offering interior design services for showflats and residential units.
- Focusing on their commitment to offer home furnishing ideas and deliver design solutions and furniture to homeowners, they expanded their business footprint into furniture retailing in 1995, and are currently operating seven points of sale in Singapore and plan to open two new points of sale mainly using the net proceeds from the Share Offer in the fourth quarter of 2019 and the fourth quarter of 2020, respectively.
- They became involved in the furniture online sales industry in the U.S. in 2005.
- Their Group currently supplies various furniture brands targeting different market segments through e-commerce sales platforms in the U.S. and through their points of sale in Singapore.

BUSINESS STRATEGY AND FUTURE PLANS

- Further expand their product mix and brand portfolio.
- Further expand their sales and marketing network.
- Strengthen their brand recognition.
- Continue to retain and recruit talent to support future growth.

COMPETITIVE STRENGTHS

- They have an extensive sales network with long established and stable relationships with international e-commerce sales platforms in the U.S.
- They have developed a solid brand recognition with a well-defined brand portfolio strategy and effective marketing campaigns for each of their business segments.
- They are committed to delivering design solutions and home furnishing ideas for homeowners at various market segments.

- They have established long and stable relationships with their suppliers and subcontractors.
- They have an experienced management team and a strong design and quality control team.

KEY RISKS

- They depend on a limited number of major customers for a substantial portion of their total revenue and they do not have any long-term purchase commitments from their customers.
- They rely on third party logistics service providers to deliver goods to their overseas warehouses and end-consumers and third party warehousing service providers to store their goods.
- They may fail to retain and recruit suitable interior design professionals.
- They do not have long-term contracts or exclusive distribution with their suppliers.
- They are exposed to the risks of obsolete and slow-moving inventory which may adversely impact their cash flow and liquidity.
- They may be subject to international trade policies and trade barriers with respect to their overseas sales, such as additional tariffs imposed by the U.S. government on trade imports from the PRC which include certain furniture products, and they may not be able to pass such additional costs on to their customers.

DIVIDEND POLICY

- No fixed dividend policy.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation (%)
Procurement of inventory for U.S. furniture sales segment.	79.70	62.1%
Increase their sales and marketing efforts to further enhance brand loyalty, reputation and brand recognition for U.S. furniture sales segment.	10.80	8.4%
Storage of new products to be procured for U.S. furniture sales segment.	4.40	3.5%
Paying the rental expenses, overhead expenses and capital expenditure for opening two new points of sale in Singapore under the brands "OM" and "Lifestorey" to be opened during the years in 2020 and 2021, respectively.	13.20	10.3%
Procurement of inventory for their new points of sale.	3.80	2.9%
Enhancing their brand awareness including brand building campaign.	3.10	2.5%
Expansion of their warehouse in Singapore.	2.60	2.0%
General working capital.	10.70	8.3%
Total:	128.30	100.00%

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