

**IPO FACT SHEET**

**Frontage Holdings Corporation (1521)**

**ISSUE STATISTICS**

<b>Offer Size:</b>	HK\$1,279.9m - HK\$1,606.1m
<b>Placement Tranche:</b>	501,910,000 shares
<b>Price:</b>	HK\$2.55 - HK\$3.20
<b>Board lot:</b>	2,000
<b>Entry fee:</b>	HK\$6,464.49
<b>Historical PE</b>	63.51x – 79.70x
<b>Net tangible asset per share:</b>	HK\$0.77 - HK\$0.93
<b>Market Cap (post-IPO):</b>	HK\$5,119.48m- HK\$6,424.45m
<b>Open:</b>	17 May 2019
<b>Close:</b>	12.00 noon on 22 May 2019
<b>Trading:</b>	30 May 2019
<b>Sponsor:</b>	Merrill Lynch Far East Limited and Goldman Sachs (Asia) L.L.C.

<b>Year ended 31 Dec</b>	<b>(USD'000)</b>	<b>yoy % chg</b>
Revenue		
2017	70,245	44.4%
2018	83,114	18.3%
Total comprehensive income for the year attributable to the owners of the Company		
2017	10,632	66.1%
2018	10,270	-3.4%

**BACKGROUND**

- They are a fast-growing contract research organisation (“CRO”) providing integrated, scientifically-driven research, analytical and development services throughout the drug discovery and development process to enable pharmaceutical companies to achieve their drug development goals.
- They benefit greatly from having operations in both the United States and China — the two largest markets for CRO services in the world — and are well placed to capture growth opportunities in both markets.
- The services they provide in the United States include drug metabolism and pharmacokinetics, safety and toxicology, and chemistry, manufacturing and controls, in each case, throughout the drug discovery and development process.
- Their bioanalytical services, which are the largest source of their revenue (contributing 48.23%, 50.57% and 53.18% of their revenue for the years ended December 31, 2016, 2017 and 2018, respectively), are offered throughout the drug discovery and development process both in the United States and in China. They also provide bioequivalence and related services in China. Certain of their services are also offered to agrochemical companies.
- In the United States, they are recognised as a leader (in terms of quality of service) in the CRO industry, according to Frost & Sullivan.

**BUSINESS STRATEGIES**

- Continue to expand capacities to meet increased demand for their services.
- Strategically extend the range of their services to offer their customers more integrated solutions through organic growth and potential acquisitions.
- Continue to capitalise on China’s growing outsourcing market.
- Maintain and deepen their strong relationships with existing customers to secure new projects.
- Attract new customers and expand their customer base by leveraging their existing market position and reputation.

**COMPETITIVE STRENGTHS**

- Integrated CRO operating in a large and growing market and well positioned to capitalise on strong industry growth drivers, especially in China.

- Proven ability to deliver value-add technical expertise because of their deep pool of talented scientists and world-class facilities and equipment.
- Effective quality management systems and strong track record of regulatory inspections.
- Proven success in growing their customer base and increasing customer retention.
- Strong track record of efficient and integrated delivery differentiated by flexibility.
- Highly experienced and professional management team.

### KEY RISKS

- They depend on the demand for CRO services in the pharmaceutical industry, and to a lesser extent, in the agrochemical industry and the continued growth of those industries; outsourcing trends in these industries may change or fail to grow as they expect.
- The potential loss of multiple contracts, key customers or any of their large contracts could adversely affect their business, financial condition and results of operations.
- They might not realize all of the anticipated future revenue associated with their contracted future revenue.
- Their proposed expansion and enhancement of their existing facilities may not be successful.
- If they fail to effectively manage their anticipated growth or execute on their growth strategies, their business, financial condition and results of operations could suffer.
- Their success depends on their ability to attract, train, motivate and retain highly skilled scientists and other technical personnel.
- They face increasing competition and their inability to compete effectively may result in downward pricing pressure or reduced demand for their services.
- Any failure to comply with existing regulations and industry standards or any adverse actions by any regulatory authorities against them could negatively impact their business, financial condition, and results of operations.

### DIVIDEND POLICY

- No fixed dividend policy.

### USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
To enhance and expand their existing capacities to meet the anticipated increased demand for their services.	272	20.0%
To expand and broaden their range of capabilities and services organically.	545	40.0%
To expand their capacity and/or capabilities through potential acquisitions of companies and/or businesses providing relevant services that they identify as attractive based on their future expansion plan and analysis of the relevant market dynamics, strategic alliances as well as additional investments in their existing associates.	408	30.0%
For working capital and general corporate purposes including, in particular, to enhance their systems, operations, and processes across their business.	136	10.0%
<b>Total:</b>	<b>1,361.23</b>	<b>100.0%</b>

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