

IPO FACT SHEET
HOME CONTROL INTERNATIONAL LIMITED (1747)
ISSUE STATISTICS

Offer Size:	HK\$127.50m – HK\$186.25m
Placement Tranche:	125m
Price:	HK\$1.02 – HK\$1.49
Board lot:	2,000
Entry fee:	HK\$3,010.03
Historical PE	17.80x – 26.01x
Net tangible asset per share:	HK\$0.04 – HK\$0.12
Market Cap (post-IPO):	HK\$510m – HK\$745m
Open:	31 Oct 2019
Close:	12.00 noon on 5 Nov 2019
Trading:	14 Nov 2019
Sponsor:	Mason Global Capital Limited

Year ended 31 Dec	(US'000)	yoy % chg
Revenue		
2017	150,111	10.3%
2018	173,852	15.8%
Profit for the year/period		
2017	5,264	(8.0)%
2018	3,649	(30.7)%

BACKGROUND

- The Group is a globally leading home control solution provider headquartered in Singapore, with worldwide presence in North America, Europe, Asia and Latin America.
- In 2018, they were the second largest home control solution provider in the world, with a market share of 9.6%, according to Frost & Sullivan.
- Including the period during which they operated as the home control division of Philips before the MS Acquisition, they have been operating in the home control solution industry for over 25 years.
- Capitalising on the accumulated reputation and reliable corporate image associated with their business over the years, they have developed global partnership with internationally renowned MSOs as well as TV and OTT device brands in the design and development of remote controls.
- Their customers include reputable TV and OTT device brands such as Airtel in India, SkyUK, British Telecom and Vodafone in the U.K., Orange in Poland, Foxtel in Australia, AT&T and Frontier in the U.S., Liberty Global in the Netherlands, and consumer electronic brands such as Xiaomi and Hisense in the PRC.
- Depending on the procurement practice of their customers or brand owners, they generally supply solutions and products to the MSOs, TV and OTT device brands and/or their respective supplier.
- Including the period during which they operated as the home control division of Philips before the MS Acquisition, they have developed business relationship with most of their major customers for one year to over 13 years.

BUSINESS STRATEGIES

- Continuing to expand their sales and market shares, especially in the OTT segment.
- Extending their offering by providing integrated smart home security solutions.
- Extending their product lines and driving their growth through pursuing strategic investments in or acquisition of companies or businesses in the OTT and/or the smart home security segment(s).
- Enlarging their professional sales force to complement their business development, solidify their relationship with major customers, expand their market coverage and generate cross-selling opportunities.
- Extending their supply chain footprint beyond the PRC.

COMPETITIVE STRENGTHS

- They have worldwide presence and solid partnership with blue-chip customers.
- They offer complete and seamless home control solutions under an asset-light business model.
- They have strong R&D capability to deliver innovative home control solutions.
- They deliver remote control of superb quality, which are tailored to match the specific needs and brand identities of their blue-chip customers.
- They are well positioned to capture growth opportunities from the fast-growing subscription broadcasting and TV streaming market.
- They have an experienced and visionary management team with high caliber and a proven track record.

KEY RISKS

- Their world-wide business presence exposes them to various legal, economic and political risks of different geographical markets.
- Any termination, interruption or modification of their business relationship with any of their major customers, whether due to underperformance of their major customers or any other reason, may materially and adversely affects their sales and profitability.
- They may fail to anticipate technology innovation and successfully develop and market new products on time, or at all, which would materially and adversely affect their business, financial position and prospects.
- Any material increase in the prices of components or loss of major suppliers may materially and adversely affect their business and financial position.
- An impairment of goodwill would adversely affect their financial condition and results of operations.

DIVIDEND POLICY

- They expect to distribute not less than 30% of their annual distributable profits as dividends in the future.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
For research and development as well as other efforts to develop core products for OTT segment and their extended product lines in smart home products.	19.10	17.92%
For pursuing strategic investments in or acquisition of companies or businesses primarily in the fields of the design or development of OTT system and/or smart home security products by 2021.	30.80	28.91%
For expanding their professional sales force for a period of ftheir years to support their business expansion.	18.48	17.35%
For extending their supply chain footprint beyond the PRC and strengthening their supply chain management and investment.	8.80	8.26%
For repayment (the "Loan Repayment") of their bank borrowings under a US\$76 million facility agreement dated 12 December 2018 at an interest rate which is the aggregate of LIBOR and 3% per annum pursuant to which US\$45 million were drawn-down and utilised to repay previous banking facilities and will be fully repaid by 2023	21.12	19.82%
For their Group's working capital and general corporate purposes.	8.25	7.74%
Total:	106.54	100.0%

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is a licensed corporation providing securities brokerage and securities advisory services in Hong Kong.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKHHK. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKHHK may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKHHK and its associates (as defined in the Securities and Futures Ordinance, Chapter 571 of Hong Kong) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKHHK to be reliable. However, UOBKHHK makes no representation as to the accuracy or completeness of such sources or the Information and UOBKHHK accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKHHK and its associates may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKHHK and its associates are subject to change without notice. UOBKHHK reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKHHK, its associates and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report. (2) UOBKHHK, its associate and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto. (3) the officers, employees and representatives of UOBKHHK may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"). and (4) UOBKHHK may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report is prepared by UOBKHHK, a company authorized, as noted above, to engage in securities activities in Hong Kong. UOBKHHK is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKHHK (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKHHK by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKHHK.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKHHK who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report. (2) the report was produced independently by him/her. (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKHHK or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report. and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKHHK's total revenues, a portion of which are generated from UOBKHHK's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report. and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Securities, which is regulated by Financial Services Authority of Indonesia (OJK). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report. and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2019, UOB Kay Hian (Hong Kong) Ltd. All rights reserved.

<http://www.utrade.com.hk>