

**IPO FACT SHEET**
**Impro Precision Industries Limited (1286)**
**ISSUE STATISTICS**

<b>Offer Size:</b>	HK\$933.2m – HK\$1099.9m
<b>Placement Tranche:</b>	333.3m
<b>Price:</b>	HK\$2.80 - HK\$3.30
<b>Board lot:</b>	1,000
<b>Entry fee:</b>	HK\$3,333.26
<b>Historical PE</b>	12.48x – 14.70x
<b>Net tangible asset per share:</b>	HK\$1.64 – HK\$1.72
<b>Market Cap (post-IPO):</b>	HK\$5,133.2m - HK\$6,049.9m
<b>Open:</b>	18 June 2019
<b>Close:</b>	12.00 noon on 21 June 2019
<b>Trading:</b>	28 Jun 2019
<b>Sponsor:</b>	Morgan Stanley Asia Limited and BOCI Asia Limited

<b>Year ended 31 Dec</b>	<b>(HK\$'000)</b>	<b>yoy % chg</b>
Revenue		
2017	3,049,143	19.7%
2018	3,749,113	23.0%
Profit for the year		
2017	401,702	18.4%
2018	411,471	2.4%

**BACKGROUND**

- They are a global top 10 manufacturer of high-precision, high-complexity and mission-critical casting and machined components for diverse end-markets.
- They supply customized casting and machined products and provide surface treatment services to a well-diversified global customer base.
- According to the Roland Berger Report, they were the world's 7th largest independent and China's largest investment casting manufacturer and also the world's 4th largest precision machining company in the end-markets of automotive, aerospace and hydraulics, each in terms of total revenue in 2018.
- Their global leading position is underpinned by their integrated business model with comprehensive capabilities of offering one-stop solutions to their customers.
- Many of their customers are renowned global leaders in their respective industries, including Benteler, Bosch, Caterpillar, Cummins, Honeywell, HUSCO, Modine and Parker-Hannifin.
- Their three largest revenue contributing end-markets are passenger car, commercial vehicle and high horsepower engine which contributed 30.4%, 16.2% and 10.1% of their total revenue for the year ended December 31, 2018, respectively. In particular, they strategically target to grow the end-markets that they believe have higher profitability and stronger growth potential, such as aerospace and medical end-markets.
- They currently have 15 production facilities in China, Turkey, Germany, the Czech Republic and Mexico, which are supported by nine sales offices in China, North America, Luxembourg, Turkey, Germany and Hong Kong, as well as warehousing capacities in China, North America, Luxembourg and Turkey.

**BUSINESS STRATEGIES**

- Continue to focus on high-precision, high-complexity and mission-critical products and provide one-stop solutions.
- Deepen relationship with existing major customers and develop new opportunities with other global industry leading customers.
- Continue their "Twin Growth Engines" strategy that encompasses both organic growth and strategic acquisitions.
- Reinforce their existing leading position in certain end-markets and focus on increasing presence in additional selected areas with growth prospect.

- Continue to invest in research and development to optimize production processes and improve operational efficiency.
- Enhance their global footprint to meet customer needs on a global basis.

### COMPETITIVE STRENGTHS

- Global top 10 and China's largest manufacturer of high-precision, high-complexity and mission-critical casting components.
- Strategic and long-term relationships with well-recognized global industry leaders, having passed their stringent certification requirements.
- Worldwide manufacturing footprint and service network ensuring fast and superior customer service.
- Diversified end-markets endorsed by a large customer base with increasing presence in high growth sectors.
- Growing wallet share driven by integrated one-stop solution capabilities and cross-selling opportunities.
- Successful "Twin Growth Engines" strategy combining organic growth with highly synergetic acquisitions.
- Seasoned and visionary management team with Track Record of superior growth and profitability.

### KEY RISKS

- Global macroeconomic conditions and regional economies are subject to uncertainty.
- Their business largely depends on broader trends in their end-markets.
- Changes in international trade policies and international barriers to trade may have an adverse effect on their competitiveness and expansion plans.
- They may not be able to implement their production capacity expansion plans or effectively manage their capacity expansion.
- Their sales are dependent on a number of major customers, and their revenue and profitability could be materially adversely affected if they fail to maintain relationships with any of their major customers.
- Their efforts to expand their business in end-markets with high growth prospects and high margins may not achieve their expected results.
- They are required to obtain and maintain approvals, permits, licenses and certifications, including industry-specific quality management certifications, for their operations, procedures of which could be costly and time consuming; any loss of such permits, licenses and/or certifications, could adversely affect their business, results of operations, financial condition and prospects.
- Raw material prices may fluctuate and they may not be able to timely or fully pass on increases in raw material prices or risks to customers.

### DIVIDEND POLICY

- They currently intend to adopt, after their Listing, a general annual dividend policy of declaring and paying dividends on an annual basis of no less than 25% of their distributable net profit attributable to their equity shareholders in the future.

### USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
To fund their capital expenditures mainly in connection with their production capacity expansion, including the purchases of machinery and equipment to debottleneck or expand their capacity of investment casting in PRC and Mexico.	361.3	40.0%
To repay their interest-bearing banks borrowings.	271.1	30.0%
To selectively pursue potential acquisitions of businesses that complement their business model and are in line with their growth strategy.	180.7	20.0%
Will be used as their working capital and for general corporate purposes.	90.4	10.0%
<b>Total:</b>	<b>903.5</b>	<b>100.0%</b>

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