

IPO FACT SHEET
K2 F&B Holdings Ltd. (2108 HK)
ISSUE STATISTICS

Offer Size:	HK\$130m – HK\$150m
Placement Tranche:	200m
Price:	HK\$0.65-HK\$0.75
Board lot:	4,000
Entry fee:	HK\$ 3,030.23
Historical PE	16.67x – 19.24x
Net tangible asset per share:	HK\$0.3922-HK\$0.4157
Market Cap (post-IPO):	HK\$520m - HK\$600m
Open:	21 Feb 2019
Close:	12.00 noon on 26 Feb 2019
Trading:	6 Mar 2019
Sponsor:	HeungKong Capital Limited

Year ended 31 Dec	(\$'000)	yoy % chg
Revenue		
2016	36,596	-6.7%
2017	43,975	20.2%
Profit for the year/period		
2016	6,215	56.4%
2017	5,511	-11.3%

BACKGROUND

- They are a food and beverage group based in Singapore with more than 15 years of experience in the ownership and operation of food centres and food street in Singapore. Currently, their business can be categorised into the (1) F&B Retail Business and (2) Outlet Management and Leasing Business.
- As at the Latest Practicable Date, they operated and managed a total of 13 food establishments, being
 - 12 food centres, comprising nine non-air-conditioned food centres and three air-conditioned food centres.
 - One food street, under their Outlet Management and Leasing Business. Their food street is leased by their Group from an Independent Third Party, and comprises four food and beverage kiosks, of which three are operated by them under their F&B Retail Business.
- As at the Latest Practicable Date, their Group owned nine properties. The investment properties of their Group consist of seven, seven, eight and eight food centres and building used for rental income generation purpose as at 31 December 2015, 2016 and 2017 and 31 October 2018, respectively.

BUSINESS STRATEGY AND FUTURE PLANS

- To increase the number of food establishments, particularly air-conditioned food centres, under their Outlet Management and Leasing Business.
- To enhance and upgrade their existing food centres and food street.
- To improve their information technology infrastructure and systems.
- To develop cashless electronic payment systems.

COMPETITIVE STRENGTHS

- Their food centres and food street are strategically located throughout Singapore.
- They operate a diversified mix of food stalls under their F&B Retail Business and they have a pool of quality food tenants and anchor tenants.

- They have an experienced management team.
- They have a resilient business model with multiple revenue streams.
- They enjoy economies of scale.
- They are committed to providing high quality customer service.

KEY RISKS

- They experienced net current liabilities during the Track Record Period.
- They rely on skilled and experienced personnel and they are subject to labour and immigration laws and policies that govern the employment of foreign workers.
- They may be affected by any outbreak of food-related diseases or any spread of contagious or virulent diseases and the shortage of key supplies.
- They lease some of their premises for their food establishments from HDB and other private landlords and there is no certainty that they will be able to lease new premises or renew existing lease on terms acceptable to them or at all.
- Their continued success and sustainability of growth will depend on their ability to expand and manage their network of food establishments.
- They may be unable to maintain an attractive tenant mix or the current occupancy rates for their food establishments.
- They face food contamination and tampering risks, and may be exposed to negative publicity.
- Customer complaints and potential litigation.
- The food and beverage industry may be subject to increasingly stringent licensing requirements, regulations and hygiene standards which can increase their operating costs.

DIVIDEND POLICY

- No fixed dividend policy.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation (%)
Will be used for the purchase of 150 South Bridge Road.	5.10	5.1%
Will be used for the purchase of of 101 Yishun.	31.60	31.6%
Will be used as provision for future acquisitions of food centres.	32.30	32.3%
Will be used to fund the renovation costs for their existing food centres.	5.10	5.1%
Will be used to fund the upgrading of their information technology infrastructure and systems.	5.70	5.7%
Will be used for partial repayment of outstanding bank borrowings.	10.10	10.1%
Will be used for their general working capital.	10.10	10.1%
Total:	100.00	100.00%

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