

IPO FACT SHEET

Shanghai Gench Education Group Limited (1525)

ISSUE STATISTICS

Offer Size:	HK\$605m – HK\$773m
Placement Tranche:	100m
Price:	HK\$6.05 – HK\$7.73
Board lot:	500
Entry fee:	HK\$3,903.94
Historical PE	20.04x – 25.60x
Net tangible asset per share:	HK\$4.07 – HK\$4.48
Market Cap (post-IPO):	HK\$2,420m – HK\$3,092m
Open:	31 Dec 2019
Close:	12.00 noon on 9 Jan 2020
Trading:	16 Jan 2020
Sponsor:	Macquarie Capital Limited

Year ended 31 Dec	(RMB'000)	yoy % chg
Revenue		
2017	356,967	22.4%
2018	424,587	18.9%
Profit and total comprehensive income for the year/period		
2017	46,043	257.3%
2018	108,575	135.8%

BACKGROUND

- They operate the leading private university in Shanghai, which is also a leading private university in the entire Yangtze River Delta, as measured by the total number of full-time students enrolled.
- According to the Frost & Sullivan Report, their Shanghai Jian Qiao University (上海建橋學院) was:
 - the largest private university in Shanghai in terms of full-time student enrollment in the 2018/19 school year.
 - the fourth largest in the Yangtze River Delta in terms of full-time student enrolment in the 2018/19 school year.
 - the fastest growing university in terms of full-time student enrollment among the top five largest private universities in the Yangtze River Delta from 2015 to 2018.
- During the Track Record Period and up to the Latest Practicable Date, they operated a single university, Shanghai Jian Qiao University, through Contractual Arrangements.
- As of September 30, 2019, their University offered 54 majors and concentrations in its formal undergraduate program in a wide range of areas, and an additional 13 majors and concentrations in its junior college program.
- They collaborate closely with enterprise partners and have established school-industry collaboration programs, including two MOE industrial and education integrated innovation bases, to help their students acquire readily applicable skills and find desirable employment.
- As a result, graduating students from their University have achieved extremely high initial employment rates, which were 99.3%, 99.8%, 99.0%, and 99.0%, as of August 25, 2016, 2017, 2018 and 2019, respectively. These initial employment rates of their graduating students were significantly higher than the overall average for higher education institutions in China, according to the Frost & Sullivan Report.

BUSINESS STRATEGIES

- Enhance their profitability by optimizing their pricing and increasing student enrollment at their University.
- Expand their school network and increase their market penetration.
- Further expand their educational service offerings to capture growth opportunities.
- Continue to attract and retain qualified teachers.

COMPETITIVE STRENGTHS

- They operate the largest private university in Shanghai which is also a leading private university in the Yangtze River Delta, with a history of successful growth.
- They are well-positioned to benefit from expected increasing demand for private higher education in Shanghai.
- They have extremely high initial employment rates as a result of their focus on providing students with market-oriented course offerings.
- They have developed cooperative relationships with international institutions.
- They provide quality-oriented education aimed at promoting all-around education of their students.
- They have an experienced management team with a proven track record, complemented by a highly qualified teaching team.

KEY RISKS

- New legislation or changes in the PRC regulatory requirements regarding private higher education may affect their business, financial conditions, results of operations and prospects. They are subject to uncertainties brought by the 2016 Decision, the MOE Draft for Comments and the MOJ Draft for Review.
- Their business is heavily dependent on their reputation.
- Their business and results of operations depend on the level of tuition fees and boarding fees they are able to charge and their ability to maintain and raise tuition and boarding fees.
- Their business, financial condition, and results of operations depend largely on the number of students their University may admit, which in turn is subject to the admission quota approved by the relevant education authorities and limited by the capacity of the facilities of their University.
- Their business relies on their ability to recruit and retain dedicated and qualified teachers and other school personnel.
- They may not be able to execute their expansion strategies.

DIVIDEND POLICY

- No fixed dividend policy.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
To be used primarily to acquire or invest in other schools to expand their school network.	220	34.8%
To be used primarily to finance the construction project on their campus and purchase related boarding equipment.	221.4	35.0%
To be used primarily to repay certain portion of their short-term loans and the current portion of their long-term loans as they become due.	127.9	20.2%
To be used to supplement their working capital and for general corporate purposes.	63.3	10.0%
Total:	632.6	100.0%

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