

## **Main Board Listing – Research**

膳源控股有限公司

Food Wise Holdings Limited (01632)

**Sole Sponsor** : Cinda International  
**Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager** : Huajin International

**Sector** : Consumer Services

**Business** : A chained Vietnamese-style restaurant in Hong Kong

<p><b>Total share offer:</b> <u>50,000,000</u>* shares (25.0% of the enlarged share capital)</p> <p><b>Public Offer:</b> 5,000,000 shares (10%)  <b>Placing:</b> 45,000,000 shares (90%)  <b>Greenshoe:</b> 7,500,000 shares</p> <p>* All 50,000,000 shares are New Shares</p>	<p><b><u>Business of Food Wise Holdings Limited</u></b>  <b><u>("Food Wise" or "the Company")</u></b></p> <p>For the year ended 31 December 2015, Food Wise had the largest number of Vietnamese-style restaurants within the Southeast Asian full-service restaurant segment in Hong Kong. Food Wise operates its restaurants under the Viet's Choice Brands, namely, its main brand, Viet's Choice, and sub-brands Home Viet and VC Cafe.</p> <p>As of 8<sup>th</sup> November 2016, Food Wise operated 20 restaurants under its Viet's Choice Brands in Hong Kong, of which, three were located in the Hong Kong Island, five were located in Kowloon and the remaining were located in the New Territories, with a majority of its restaurants located within shopping malls.</p>
<p><b>Price:</b> HK\$1.67 – HK\$2.15 per share</p> <p><b>Market Capitalization:</b>  HK\$334 million – HK\$430 million</p> <p><b>Historical fully diluted FY15/16 P/E:</b>  14.0x – 18.0x</p> <p><b>Adjusted NTA per share:</b> HK\$0.61 – HK\$0.72</p> <p><b>Staffing:</b> 333 (as at 31<sup>st</sup> August 2016)</p>	
<p><b>HK Public Offer period:</b>  17<sup>th</sup> November 2016 – 22<sup>nd</sup> November 2016</p> <p><b>Receiving bank:</b>  The Bank of East Asia</p> <p><b>Share registrar:</b>  Tricor Investor Services Limited</p> <p><b>Listing date:</b> 29<sup>th</sup> November 2016</p>	

### **Shareholders after Listing**

Mr. Wong Che Kin – the Chairman, the CEO and an Executive Director of Food Wise	63.75%
Mrs. Wong Chui Ha Iris – the Chief Operating Officer and an Executive Director of Food Wise, as well as the spouse of Mr. Wong Che Kin	11.25%
Public Shareholders	25.00%
	100.00%

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**Use of Proceeds**

Net proceeds from the offer are estimated to be HK\$67.5 million (based on the mid-point of the Offer Price of HK\$1.91 per share)

	HK\$ million
To maintain and expand its Viet's Choice Brands restaurants	15.8
To broaden its cuisine offerings	41.6
To upgrade and expand its food processing center	2.2
To upgrade its information and technology systems	1.8
To broaden the promotion of its brand image and recognition	1.0
For working capital and general corporate purposes	5.1

**Financial Highlights**

	Year ended 31 <sup>st</sup> March			5 months ended 31 <sup>st</sup> August	
(HK\$ million)	2014	2015	2016	2015	2016
Revenue	181.3	210.1	200.9	88.8	86.2
Pre-tax profit	19.0	22.4	28.7	15.8	(3.5)
Attributable profit	16.0	18.8	23.9	13.1	(5.2)
Pre-tax margin	10.5%	10.7%	14.3%	17.8%	(4.0%)
Net profit margin	8.8%	9.0%	11.9%	14.8%	(6.0%)

**Peer valuation comparison**

	Stock code	Market Capitalization (HK\$ Million)	FY15/16 Revenue (HK\$ Million)	FY15/16 Net profit (HK\$ Million)	Net profit margin	FY15/16 P/E
Café De Coral	00341	15,475	7,567	512	6.8%	29.5x
Fairwood	00052	4,510	2,428	201	8.3%	22.3x
Tsui Wah	01314	1,877	1,868	76	4.1%	26.2x
<b>Food Wise</b>	<b>01632</b>	<b>334 – 430</b>	<b>201</b>	<b>24</b>	<b>11.9%</b>	<b>14.0x – 18.0x</b>

**Strengths/Opportunities**

- ✓ Valuation-wise, the shares of Food Wise are offered at a discount to the prevailing valuation of its peers (2015/16 P/E of 14.0x – 18.0x versus peers' 22.3x – 29.5x). In view of its smaller market capitalization and operating scale, its valuation is believed to be reasonable.

**Weaknesses/Threats**

- × Food Wise owned and operated 26, 25, 23, 22 and 20 restaurants in Hong Kong as at 31<sup>st</sup> March 2014, 2015 and 2016, 31<sup>st</sup> August 2016 and 8<sup>th</sup> November 2016, respectively. The declining number of restaurants suggests the business scale of Food Wise has been shrinking since 2014.
- × Given the low entry barrier of the market, the full-service restaurant market in Hong Kong, which consists of Chinese, international and Southeast Asian full-service restaurants, is highly competitive and fragmented. Food Wise accounted for only 0.27% of the Hong Kong full-service restaurant market share in terms of sales value in 2015.
- × The food service value of chained Southeast Asia full-service restaurants in Hong Kong is expected to grow from HK\$2,292.8m in 2016 to HK\$2,547.3m in 2020. It represents a CAGR of 2.7% only, reflecting slow growth for the industry.
- × Food Wise will likely record a notable decline in net profit in FY16/17 due to the reduction of total number of restaurants as well as the listing expenses of HK\$14.7 million incurred during the five months ended 31<sup>st</sup> August 2016.

**Recommendation: Unattractive**



## **Important Disclosure / Analyst Certification / Disclaimer**

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