

| | | | |
|--|--|----------------------------|---|
| DSE CODE : ADVENT | IPO Size : BDT 200 mn | FY17 EPS : BDT 0.71 | Analyst Mashqurur Rahman mashqurur.rahman@lbsbd.com |
| Debut Trading Date : April 12, 2018 | Post IPO shares : BDT 486 mn | FY18 EPS : BDT 0.95 | |
| Offer Price : BDT 10 | Shares with no lock-in : 15.00 mn | (annualized) | |

Table : Company Snapshot

| | |
|---|-----------------|
| Established in | 2007 |
| Started commercial operation in | 2013 |
| Converted in Public Limited Company in | 2016 |
| Paid-up Capital - Before IPO (BDT mn) | 486.00 |
| Capital issued as IPO (BDT mn) | 200.00 |
| Paid-up Capital - Post IPO (BDT mn) | 686.00 |
| Total No. of Securities - Post IPO (mn) | 68.60 |
| Face Value per share (BDT) | 10 |
| Category | N |
| Sector | Pharmaceuticals |
| Year end | June |
| Issue Managers : 1. Imperial Capital Limited 2. Alpha Capital Management Limited 3. CAPM Advisory Limited | |

Source: LBSL Research and Company Prospectus

Table : IPO Snapshot

| | |
|---|-------------------|
| IPO Size (BDT mn) | 200.00 |
| IPO Size (Share mn) | 20.00 |
| Offer price per share (BDT) | 10 |
| Revenue in FY'17 (BDT MN) | 285.06 |
| Net profit after tax in FY'17 (BDT MN) | 48.69 |
| FY17 EPS (based on Post-IPO share no.) | 0.71 |
| FY18 Annualized EPS (based on annualized Q1 FY18 profits) | 0.95 |
| Issue date of prospectus | January 15, 2018 |
| Subscription open date | February 11, 2018 |
| Subscription close date | February 19, 2018 |

Source: LBSL Research and Company Prospectus

Table : Plan for IPO proceed utilization

| Particulars | BDT mn | % of total issue |
|--|---------------|------------------|
| Acquisition of Machineries and Equipments | 81.43 | 40.7% |
| Construction of Building and other Civil Works | 100.07 | 50.0% |
| IPO Expenses | 18.50 | 9.3% |
| Total | 200.00 | 100.0% |

Source: LBSL Research and Company Prospectus

Table : Lock-In Provisions

| | No. of Shares | Duration of Lock-in | Lock-In Expiry* |
|--|---------------|---------------------|-------------------|
| General public and 50% of shares allocated to Eligible Investors | 15,000,000 | No Lock-In | December 24, 2017 |
| 25% of shares allocated to Eligible Investors | 2,500,000 | 6 months | February 28, 2018 |
| Remaining 25% of shares allocated to Eligible Investors | 2,500,000 | 9 months | May 28, 2018 |
| Non sponsor Pre-IPO shareholders | 27,032,500 | 1 year | August 28, 2018 |
| Sponsor/Director | 21,567,500 | 3 Year | August 28, 2020 |

Source: LBSL Research and Company Prospectus

*Lock-In Duration is counted from the Issue Date of Prospectus

Company Overview

Advent Pharma Limited (APL) is a Pharmaceutical company, engaged in manufacturing, importing and marketing of animal health care drugs, nutritional supplements and feed additives for livestock. It manufacturer is its products in three major dosage forms i.e. powder, bolus and liquid.

The company was established on January 25, 2007 as a private limited company. The company commercially commenced its business on March 01, 2013 and converted into a public limited company on May 7, 2016. The factory of APL is situated at BSCIC Industrial Estate, Dhamrai, Dhaka. The company had 245 employees as on June 30, 2017.

IPO proceeds plan of Advent Pharma Limited

APL has issued 20,000,000 shares at BDT 10 to raise BDT 250 mn through Initial Public Offering (IPO). The proceedings will be used primarily for construction of Building and other civil works. The amounts required for these is BDT 100.47 mn(50.0%) The company will also invest BDT 81.43 mn(40.7%) in acquiring new machineries and equipment. Rest of the funds(BDT 18.50mn, 9.3%) will cover IPO expenses.

Lock-in Provisions

- Out of 68.6 million shares, **15.00 million shares** (All shares allocated to general public and 50% of shares allocated to Eligible Investors) will have no lock-in and they will be available for trading on **April 12, 2018**.
- **2.50 million shares** (25.0% of shares allocated to Eligible Investors) will become free from lock-in on **July 16, 2018**.
- **2.50 million** (remaining 25.0% of shares allocated to Eligible Investors) will become free from lock-in on **October 16, 2018**.
- **27.03 million shares** from non sponsor Pre-IPO shareholders will become free from lock-in on **January 16, 2019**
- **21.57 million share** of Sponsors will become free from lock-in on **January 16, 2021**

Principal Products

As an agricultural country livestock plays a vital role in the economy of Bangladesh. The pharmaceutical sector in the country has made its marks both locally and internationally. Though most companies focus on human drugs, in the last 20 years a few of the major companies have invested in animal healthcare.

The need for animal health care drug of high quality with affordable price to support livestock sector is prominent. The company has envisioned the opportunities and invested in this sector in order to fulfill the increasing demand of Veterinary drugs and nutritional supplements in the existing local Market by manufacturing, importing and marketing of animal health care drugs, nutritional supplements and feed additives for livestock. All the products of APL categorized under Non Biological Products and Biological Products.

Table : Capacity Utilization Projection By Company (in mn)

| Product | Unit | Actual Capacity | | | | | | | | |
|---------|-------|--------------------|-------------|-------|-------------|-------------|-------|-------------|-------------|-------|
| | | Dec'14(12M) | | | Jun'16(18M) | | | Jun'17(12M) | | |
| | | Installed | Utilization | % | Installed | Utilization | % | Installed | Utilization | % |
| Bolus | Pc | 10.00 | 9.00 | 90.0% | 18.00 | 12.42 | 69.0% | 14.40 | 10.22 | 71.0% |
| Powder | Kg | 0.65 | 0.59 | 90.8% | 1.13 | 0.82 | 72.6% | 0.9 | 0.68 | 75.6% |
| Liquid | Litre | 0.30 | 0.25 | 83.3% | 0.54 | 0.41 | 75.9% | 0.43 | 0.34 | 79.1% |
| Product | Unit | Projected Capacity | | | | | | | | |
| | | Jun'18(12M) | | | Jun'19(12M) | | | Jun'20(12M) | | |
| | | Installed | Utilization | % | Installed | Utilization | % | Installed | Utilization | % |
| Bolus | Pc | 18.36 | 14.87 | 81.0% | 25.74 | 21.24 | 82.5% | 37.99 | 31.91 | 84.0% |
| Powder | Kg | 1.15 | 0.93 | 80.9% | 1.61 | 1.33 | 82.6% | 2.37 | 1.99 | 84.0% |
| Liquid | Litre | 0.55 | 0.45 | 81.8% | 0.77 | 0.64 | 83.1% | 1.14 | 0.96 | 84.2% |

Source: Company Prospectus

Capacity

Table : Financial Highlights

| Particulars | Dec'12 | Dec'13 | Dec'14 | Jun'16 | Jun'17 |
|---------------------------|--------|--------|--------|--------|--------|
| | 12M | 12M | 12M | 18M | 12M |
| Financial (BDT mn) | | | | | |
| Revenue | N/A | 122.77 | 165.74 | 330.97 | 285.06 |
| Gross Profit | N/A | 50.04 | 66.54 | 137.55 | 128.37 |
| Operating Profit | N/A | 25.53 | 32.05 | 72.52 | 81.76 |
| Net Profit | N/A | 11.69 | 17.36 | 41.33 | 48.69 |
| Assets | 82.72 | 107.72 | 141.29 | 327.06 | 727.27 |
| Debt | 43.44 | 55.28 | 54.45 | 44.00 | 44.46 |
| Equity | 30.50 | 42.19 | 59.75 | 231.93 | 605.27 |
| Growth (YoY) | | | | | |
| Revenue | N/A | N/A | 35.0% | 33.1% | 29.2% |
| Gross Profit | N/A | N/A | 33.0% | 37.8% | 40.0% |
| Operating Profit | N/A | N/A | 25.6% | 50.8% | 69.1% |
| Net Profit | N/A | N/A | 48.5% | 58.7% | 76.7% |
| Margin | | | | | |
| Gross Margin | N/A | 40.8% | 40.1% | 41.6% | 45.0% |
| Operating Margin | N/A | 20.8% | 19.3% | 21.9% | 28.7% |
| Net Margin | N/A | 9.5% | 10.5% | 12.5% | 17.1% |
| Key ratios | | | | | |
| ROA | N/A | 12.3% | 13.9% | 17.6% | 9.2% |
| ROE | N/A | 32.2% | 34.1% | 28.3% | 11.6% |
| Debt to Equity | 1.42 | 1.31 | 0.91 | 0.19 | 0.07 |
| EPS (BDT) * | N/A | 0.17 | 0.25 | 0.60 | 0.71 |
| NAVPS (BDT) * | N/A | 0.62 | 0.87 | 3.38 | 8.82 |

Source: LBSL Research and Company Prospectus

*EPS & NAVPS are calculated using Post IPO Number of shares

**Company Commenced business in 2013

***Calculation of YOY growth was done with Jun'16 annualized Income Statement figures

API plans to use most of its IPO fund to expand its facilities to increase capacity. Over the next three years (FY18, FY19 & FY20) it will increase its facilities by 27.5%, 40.20% & 47.6% respectively. The company also plans to utilize 84% of the capacity for all three line of products by June 2020.

Financial Overview

- The company posted 33.2% and 29.2% revenue growth in FY16 and FY17 respectively. The company started in commercial operation on March 2013, so the company was in operation for 10 months in FY13. It is showing a rapid growth as indicated by a 53.7% YOY growth in the latest quarter(Jul'17-Sep'17).
- Gross profit margin has increased slightly throughout FY13-FY17. The margin is around 45% in FY17 which is in line with other companies in the sector. The company has displayed substantial growth in operating profit indicating efficient use of its resources.
- Net profit before tax increased by 58.7% & 76.7% in FY16 and FY17 respectively based on estimated annualized figures as the company reported its Jun'16 performances for 18 months. Animal healthcare market is growing and the company is working well to capture the market share. The latest quarter shows the same level of margins.
- The decreasing ROE and ROA is due to the substantial increase in investment in the latest years. Though the debt levels hasn't gone down substantially, debt to equity ratio lowered due to new issue of shares.
- Powered by improving margins and growth in the sector itself, the company is expected to grow. Moreover, the company currently pays tax at 35% which will be decreased to 25% as a result of listing. This will also drive up the profitability.

Table : Prices at different Valuation levels

| | 15x P/E | 20x P/E | 25x P/E | 30x P/E | 35x P/E | 40x P/E |
|-----------------------------------|---------|---------|---------|---------|---------|---------|
| FY17 EPS | 0.71 | 0.71 | 0.71 | 0.71 | 0.71 | 0.71 |
| Price based on Latest Audited P/E | 11 | 14 | 18 | 21 | 25 | 28 |
| | 15x P/E | 20x P/E | 25x P/E | 30x P/E | 35x P/E | 40x P/E |
| FY18 Forward EPS | 0.92 | 0.92 | 0.92 | 0.92 | 0.92 | 0.92 |
| Price based on Forward P/E | 14 | 19 | 23 | 28 | 32 | 37 |

Source: LBSL Research and Company Disclosures

Table : Income Statement (Amount in BDT mn)

| Particulars | 31-Dec-12** 12M | 31-Dec-13 12M | 31-Dec-14 12M | 30-Jun-16 18M | 30-Jun-17 12M |
|---|--------------------|------------------|------------------|------------------|------------------|
| Revenues | | 122.77 | 165.74 | 330.97 | 285.06 |
| Cost of Goods Sold | | 72.73 | 99.20 | 193.41 | 156.69 |
| Gross Profit | | 50.04 | 66.54 | 137.55 | 128.37 |
| Operating Expenses | | 24.51 | 34.49 | 65.04 | 46.61 |
| Administrative Expenses | | 13.22 | 16.19 | 31.39 | 21.19 |
| Selling & Marketing Expenses | | 11.29 | 18.30 | 33.65 | 25.42 |
| Operating Profit | | 25.53 | 32.05 | 72.52 | 81.76 |
| Non Operating Expenses | | 6.83 | 5.34 | 5.75 | 4.82 |
| Financial Expenses | | 6.83 | 5.34 | 5.75 | 4.82 |
| Other Income | | | | | 1.71 |
| Net Profit before Provision for W.P.P.F | | 18.70 | 26.71 | 66.76 | 78.65 |
| Provision for Contribution to W.P.P.F | | | | 3.18 | 3.75 |
| Net Profit before Tax | | 18.70 | 26.71 | 63.58 | 74.91 |
| Provision for tax | | 7.0 | 9.3 | 22.3 | 26.2 |
| Current Tax | | 7.0 | 4.1 | 8.9 | 7.9 |
| Deferred Tax | | | 5.2 | 13.4 | 18.4 |
| Net Profit after Tax | | 11.69 | 17.36 | 41.33 | 48.69 |
| EPS* (BDT) | | 0.17 | 0.25 | 0.60 | 0.71 |

Source: LBSL Research and Company Prospectus *EPS calculation based on post IPO no of shares **The company commenced commercial operation in 2013

Table : Statements of Financial Position (Amount in BDT mn)

| Particulars | 31-Dec-12 12M | 31-Dec-13 12M | 31-Dec-14 12M | 30-Jun-16 18M | 30-Jun-17 12M |
|---|------------------|------------------|------------------|------------------|------------------|
| Assets: | | | | | |
| Non-Current Assets | 54.45 | 56.69 | 98.29 | 247.26 | 562.07 |
| Property, Plant & Equipment | 54.45 | 52.65 | 96.03 | 241.78 | 502.73 |
| Capital Work in Progress (Building Construction) | | 4.04 | 2.25 | 5.48 | 59.33 |
| Current Assets | 28.27 | 51.03 | 43.00 | 79.79 | 165.20 |
| Inventories | 9.87 | 18.05 | 18.32 | 32.83 | 56.90 |
| Trade & Other Receivable | | 19.87 | 17.02 | 28.36 | 46.58 |
| Un-allocated Revenue Expenditure | 17.50 | 11.67 | 5.83 | | |
| Preliminary Expenditure | 0.07 | | | | |
| Advances, Deposits & Pre-payments | 0.52 | 0.56 | 0.81 | 1.01 | 22.20 |
| Cash & Cash Equivalents | 0.31 | 0.87 | 1.02 | 17.59 | 39.53 |
| Total Assets | 82.72 | 107.72 | 141.29 | 327.06 | 727.27 |
| Shareholders' Equity & Liabilities | | | | | |
| Shareholders' Equity | 30.50 | 42.19 | 59.75 | 231.93 | 605.27 |
| Share Capital | 4.50 | 30.50 | 30.50 | 99.90 | 486.00 |
| Retained Earnings | | 11.69 | 29.25 | 70.58 | 119.27 |
| Share Money Deposit | 26.00 | | | 61.45 | |
| Non-Current liabilities | 30.18 | 29.36 | 37.06 | 50.45 | 66.33 |
| Long Term Borrowings - Net of Current Portion | 30.18 | 29.36 | 29.01 | 29.01 | 26.54 |
| Deferred Tax Liabilities | | | 8.04 | 21.43 | 39.79 |
| Current Liabilities | 22.05 | 36.16 | 44.48 | 44.68 | 55.66 |
| Current Portion of Long Term Borrowings | 1.91 | 7.91 | 7.91 | 7.91 | 7.91 |
| Short Term Borrowings | 11.36 | 18.00 | 17.53 | 7.07 | 10.00 |
| Trade and other payables | 6.59 | 0.85 | 4.08 | 4.63 | 4.74 |
| Liabilities for expenses | 2.18 | 2.39 | 6.85 | 6.50 | 3.79 |
| Liability for contribution to WPPF | | | | 1.59 | 4.38 |
| Provision for Current Tax | | 7.01 | 8.12 | 16.98 | 24.84 |
| Total Liabilities | 52.22 | 65.53 | 81.54 | 95.12 | 122.00 |
| Total Shareholders' Equity & Liabilities | 82.72 | 107.72 | 141.29 | 327.06 | 727.27 |
| Net Assets Value per share (NAVPS)* (BDT) | 0.44 | 0.62 | 0.87 | 3.38 | 8.82 |

Source: LBSL Research and Company Prospectus

*NAVPS calculation is based on post IPO number of Shares

