



Eagle Health Holdings Ltd (EHH)

Float Watch Report

Overview: Eagle Health Holdings Limited (“Eagle Health”, “the Company”) is a Chinese company focused on nutritional products and dietary supplements. The Company manufactures and distributes products marketed as ‘health food’ under its own brand in 23 provinces and autonomous regions in China via pharmacies, stores, supermarkets and online channels. As part of the listing, Eagle Health is planning to add Australian made products to its portfolio.

DISCOVERY

DEVELOPMENT

DELIVERY

Catalysts: Eagle Health is a profitable company and revenue has increased at a compound annual growth rate of 29% since FY14. The Company seeks to create shareholder value by growing sales for its key products, whilst maintaining steady EBITDA margins. Successful expansion of its product portfolio is a catalyst. Management has a significant interest in the Company and forecasts the distribution of unfranked dividends from 2017.

BENCHMARKING

TICKER	ASSET	STATUS	VALUATION
TTC.ASX	Health Clinics	Delivery	1.5x Revenue, 4x IC
TB8.ASX	Water Products	Delivery	0.3x Revenue, 1.5x IC

Hurdles: The China based nature of the Company’s operations creates transparency and governance risks, and may also challenge investor interest towards the stock. Precedents in the industry have faced regulatory and operational challenges in exporting Australian products into China and there is no guarantee that Eagle Health will be successful. Revenue is generated in RMB and the PRC government imposes control on the convertibility of the RMB into foreign currencies.

Investment View: Eagle Health offers profitable exposure to demand for health food and dietary supplements in China. The Company’s recent financial performance appears attractive and management intends to distribute dividends from FY17, which would enhance credibility of both management and the Company. The market opportunity is significant due to favourable health and wellness product consumption trends in China, but regulatory hurdles in its key market dampen the outlook. Despite its sound financials, geopolitical risks associated with China are significant and industry precedents have failed to deliver long-term value for shareholders.

USE OF PROCEEDS (\$30m)

Asset Acquisitions	Asset Development	Sales	26%
		Australian Expansion	25%
Vendor Sale	Balance sheet	Costs	12.5%



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22nd May 2017

Initial Public Offer

[Click here for Prospectus](#)

Price: \$0.40

Listing 29th June

CORPORATE SUMMARY

TICKER	EHH.ASX
SHARES ON OFFER	75m
POST FLOAT SHARES	325m
OTHER SECURITIES	

MARKET CAP	\$130m
ISSUED CAPITAL	\$29m

FINANCIAL OVERVIEW FY16

REVENUE	\$84.2m
NPAT	\$15.9m
GROWTH	29% pa
PE (PRO FORMA)	~8x
DIVIDEND YIELD (FY17)	~1-2%

BOARD OF DIRECTORS

CHAIRMAN	Andrew Thompson
CEO	Zhang Mingwang

TRACK RECORD

VALUE CREATION	Fair
OPERATIONS	Fair
CAPITAL MARKETS	Fair






POST FLOAT SHAREHOLDERS

IPO INVESTORS	23.1%
MANAGEMENT & DIRECTORS	62.1%
OTHER	14.8%

FLOAT WATCH RANKING

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GLOSSARY

	High Flyer – strong prospect of value growth
	Airborne – favourable value growth prospects
	Clear for Takeoff – reasonable value growth potential with appropriate capital structure given the risks
	Safety Check – elevated risks shadow value growth potential
	Grounded – value growth not likely due to excessive risks

Company Life Cycle

Discovery	Assets typically at a concept stage, yet to demonstrate commercial potential. Company reliant on external capital.
Development	Feasibility and commercial trials are a primary focus. Company reliant on external capital.
Delivery	Assets are typically generating cash flow. Company has an operating focus & may no longer rely on external capital

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ARCHIVES

FLOAT WATCH

May-17	Macarthur Australia MMM.ASX
May-17	Benjamin Hornigold BHD.ASX
Apr-17	MSL Solutions MPW.ASX
Apr-17	Big River Industries BRI.ASX
Mar-17	URB Investments URB.ASX
Mar-17	Bigtincan Holdings BTH.ASX

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