

A traditional Chinese medicine company wants to list on the ASX with a \$20 million float

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A staff member makes up a prescription of Chinese herbal medicine at the Hu Qing Yu Tang drugstore in China. Photo China Photos/Getty Images

The ASX could soon welcome its first Traditional Chinese Medicine play, Rong Yu, which is planning a \$20 million initial public offering to fund expansion in China and enter the Australian market.

Well-established in China, Rong Yu (ASX:RY8) makes five key products for high cholesterol and women's health using ingredients such as Angelica roots, gankang and dates.

"Traditional Chinese medicines underpin the [Chinese] health system and are largely what doctors are prescribing," chairman Rodney Hannington told Stockhead.

"The government in China have already endorsed our pain medication because we have proven that it is affordable and efficacious."

Traditional medicines in China have experienced stable growth in the past few years, growing at a rate of 21.7 per cent year-on-year.

The prescribed medication sector is estimated to be worth at least \$500 billion in China alone.

Rong Yu is seeking to raise \$20 million at an offer price of 20c, to fund aggressive expansion across China, building on a current network of 28 provinces and 300 distributors.

If successful, they would be valued at a market cap of \$75 million to \$80 million.

“There is underlying growth and interest in health in the overall market, and our products have the registrations to allow doctors to prescribe them,” Mr Hannington said.

“Calling on more doctors and hospitals to increase the availability will be key.”

Rong Yu offer two prescription products and three over-the-counter products for treatment of cholesterol, women’s anaemia, irregular menstruation, poor blood circulation, poor liver function and pain.

Over-the-counter tablets for menstrual cramps and anaemia accounted for 42 per cent of RNY’s sales last year. Prescription chewable tablets to reduce cholesterol accounted for 39 per cent.

Funds raised will also allow for their entry into Australia, following \$3 billion health giant Blackmores which last year paid \$23 million for the Australian market leader in Chinese herbal medicine, Global Therapeutics.

Rong Yu will start locally by registering its prescription products with the Therapeutic Goods Administration (TGA) — which would also help Chinese sales, Mr Hannington said.

“The Australian association gives us credibility in China and allows us to leverage the registration into other foreign markets.”

“We are looking for complete geographic expansion, to grow our own organic products and will explore opportunities to source Australian-grown raw materials.”

In the last financial year, Rong Yu made \$71.4 million in revenue, for a \$19 million profit after tax.

Ingredients the likes of Female Ginseng, Panax Notoginseng, pen tube grass and jujube are the main ingredients for the natural pharmaceuticals, and account for 49 per cent of the company’s materials cost.

<https://www.businessinsider.com.au/rong-yu-traditional-chinese-medicine-asx-ipo-2017-11>