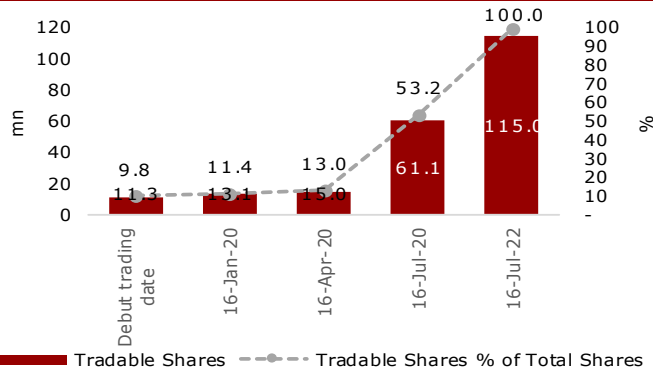


Sea Pearl Beach Resort and Spa Limited

Issued 15mn shares at offer price of BDT 10

We initiate an IPO note on Sea Pearl Beach Resort and Spa Limited (SEAPEARL) with no assigned rating. The company plans to raise BDT 150mn through initial public offering (IPO) under fixed price method. The fund would be utilized for interior, finishing, furniture & fixture of 157 rooms (71.2%), acquisition of land (17.8%) and IPO expenses (11.0%). In FY18, gross profit margin (GPM), EBIT margin and net profit margin (NPM) stood at 78.2%, 39.6% and 9.8% respectively. Return on equity (ROE) and return on asset (ROA) stood at 4.4% and 1.0% in FY18. Presently, SEAPEARL doesn't have any subsidiary or associate company.

Lock-in Provision



Source: IPO Prospectus

- Pre-IPO shares of SEAPEARL (100.0mn) is classified into two categories - sponsors & directors and other than sponsors & directors. In post-IPO basis, total number of shares would increase by 15.0mn to 115.0mn. Of post-IPO shares: sponsors & directors, institution, and general public would hold 53.9mn, 7.5mn, and 53.6mn shares respectively.
- Out of shares issued at IPO (15mn), 75.0% (11.3mn) shares will be tradable on the first trading date which implies that on debut trading day total tradable shares as % of total shares will be 9.8%. All shares purchased by general public (7.5mn) and 50% shares of institutional investors (3.8mn) purchased at IPO would be tradable on that day.
- On 16 January 2020, tradable shares will increase by 1.9mn shares and on 16 April 2020, tradable shares will increase by further 1.9mn shares. On 16 July 2020, tradable shares will increase by 46.1mn shares and on 16 July, 2022 shares of sponsors and directors will become tradable, increasing total tradable shares by 53.9mn.

IPO Summary

IPO type	Fixed Price
DSE ticker	SEAPEARL
Face value (BDT)	10
Offer price (BDT)	10
Authorized capital (BDT mn)	2,000
Issue manager	1. Banco Finance and Investment Limited 2. Prime Bank Investment Limited
Underwriters	AIBL Capital Management Limited Sandhani Life Finance Limited
Auditor	Mahfel Huq & Co Chartered Accountants
Pre-IPO paid-up capital (BDT mn)	1,000
IPO size at offer price (BDT mn)	150
Post-IPO paid-up capital (BDT mn)	1,150
Pre-IPO number of shares (mn)	100
IPO issue size (no. of shares in mn)	15
Post-IPO number of shares	115
Tradable shares at debut trading Day (mn)	11.3

Shareholding Structure	Pre-IPO			Post-IPO		
	Shares (mn)	BDT Mn	%	Shares (mn)	BDT Mn	%
Sponsors	53.9	538.6	53.9	53.9	538.6	46.8
Institute	-	-	-	7.5	75.0	6.5
Public	46.1	461.4	46.1	53.6	536.4	46.6
Total	100.0	1,000.0	100.0	115.0	1,150.0	100.0

Utilization of IPO proceed

Particulars	BDT mn	%
Interior, finishing, furniture & fixture (157 rooms)	106.8	71.2
Acquisition of land	26.7	17.8
IPO Expenses	16.5	11.0
Total	150.0	100.0

Annualized EPS (BDT)	Offer price (BDT)	Theoretical market price (BDT)						
0.71	10.0	15.0	20.0	25.0	30.0	35.0	40.0	45.0
Trailing P/E (x)	14.1	21.2	28.3	35.3	42.4	49.5	56.5	63.6

Financials summary

Particulars (BDT mn)	FY16	FY17	FY18
Revenue	75	332	469
EBITDA	14	180	250
EBIT	-6	143	186
Net profit after tax	-29	30	46
Total assets	3,904	4,129	4,787
Total liabilities	3,870	4,043	3,740
EPS (post IPO) (BDT)	-0.25	0.26	0.40
OCF/share (post IPO) (BDT)	NA	1.48	1.59
NAV per share (post IPO) (BDT)	0.29	0.75	9.11

Analyst

Shadman Sadique Kamal
Research Associate

shadman.kamal@ucb.com.bd

COMPANY BACKGROUND

SEAPEARL was incorporated on May 26, 2009 as a private limited company and later, was converted to public limited company on November 14, 2017. The Company started its commercial operation from September 17, 2015. The company carries out Resort and Hotel Business through a Franchise Agreement between Sea Pearl Beach Resort & Spa Limited (Franchisee") and GT Investments BV (the "Franchisor)". Franchisor are knowledgeable and experienced in managing and promoting five star hotels and resorts and has (and/or its Affiliates have) performed such services throughout the world.

RESORT AND HOTEL

The Company constructed its Five Star Resort and Hotel Complex ("Royal Tulip Sea Pearl Beach Resort & Spa Cox's Bazar") on a total land area of 10.28 acre with ten story building having total floor area of nearly 450,000 sq. ft. The Complex has operated total 493 rooms out of which currently 241 rooms are available for guests, Balance of 252 rooms are not usable. There are 7 restaurants, 1 bar, 2 conference rooms, 1 hall room, 1 health club, 2 swimming pools, 2 tennis courts, vehicle parking place and all other guest facilities associated with a world class resort and hotel. The Company has also installed all necessary equipment such as Air conditioner (HVAC), Lift, Generator, Electric Substation, Sea Water Desalination Plant, Water Treatment Plan (WTP), Sewerage Treatment Plant (STP), Fire Detection & Protection System, Kitchen Equipment, Furniture, Lau dry, Spa, Gymnasium, Children Park to provide seamless guest services.

BOARD OF DIRECTORS

Sl. No.	Name	Designation
1	Md. Aminul Haque	Managing Director
2	Lucy Akhtary Mahal	Chairman
3	Md. Ekramul Hoque	Director
4	Sarjana Islam (Nominated by Shamim Enterprise (Pvt.) Limited)	Nominee Director
5	Md. Rafiqul Islam	Independent Director
6	Md. Golam Rabbani	Independent Director

IPO PROCEEDS UTILIZATION

Use of proceeds	Schedule	BDT (mn)
Interior, finishing, furniture & fixture (157 rooms)	W/I 12 months after receiving IPO Fund	106.8
Acquisition of land	W/I 6 months after receiving IPO Fund	26.7
IPO Expenses	As and when required	16.5
Total		150.0

COMPETITORS

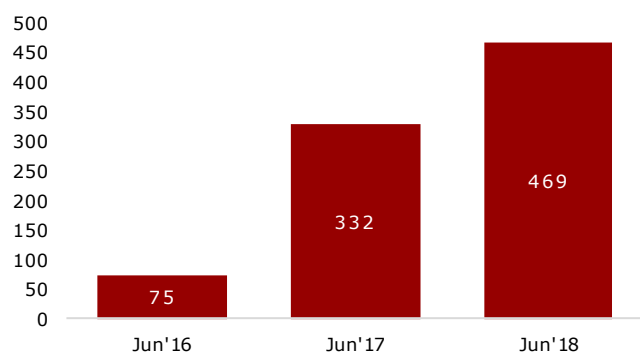
Sl. No.	Company	Listing Status in DSE
1	The Peninsula Chittagong Limited	Listed
2	Unique Hotel & Resorts Limited	Listed
3	Long Beach Hotel, Cox's Bazaar	Non-listed
4	Hotel Praasad Paradise, Cox's Bazaar	Non-listed
5	Sayeman Beach Resort, Cox's Bazaar	Non-listed
6	Seagull Hotel, Cox's Bazaar	Non-listed
7	Hotel The Cox's Today, Cox's Bazaar	Non-listed
8	Ocean Paradise Hotel & Resort, Cox's Bazaar	Non-listed

KEY SUPPLIERS

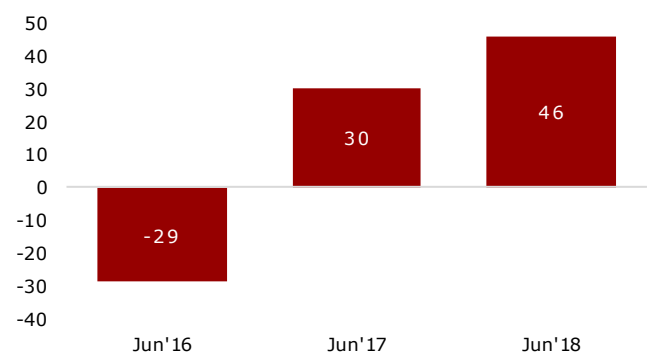
Sl. No.	Name of Major Suppliers	Category of Supply
1	M/s janany enterprise	Gas
2	Nilgiri drinking water	Water
3	Hasan perfumery	Housekeeping items
4	Miami associates (bd)	Housekeeping items
5	Motaher traders	Linen
6	Siddiks tailors & fabrics	Linen
7	M/s rahi enterprise	Liquor
8	Munni decorators	Decorators
9	Astir Japan International	Chemical
10	A. K. Water Engineering	Chemical

PERFORMANCE ANALYSIS

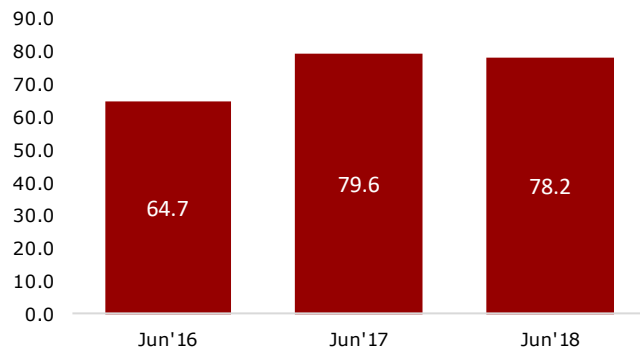
Revenue (BDT mn)



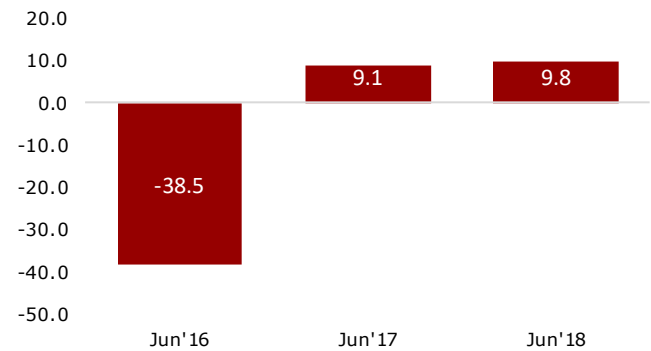
Net profit after tax (BDT mn)



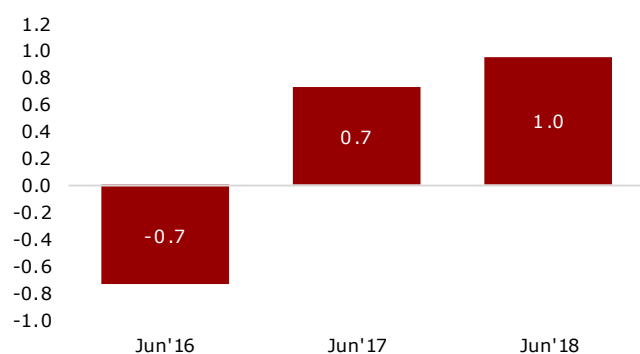
Gross profit margin (%)



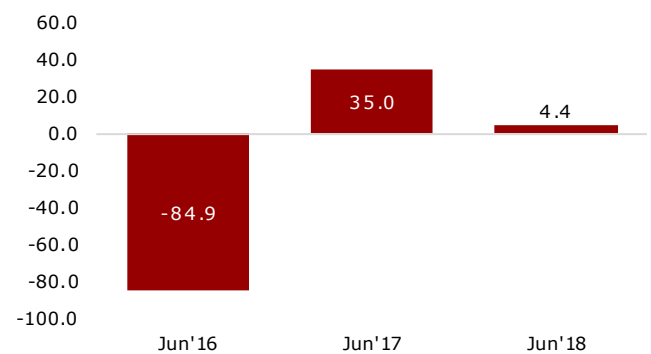
Net profit margin (%)



ROA (%)



ROE (%)



Source: Prospectus

FINANCIALS

Statement of Comprehensive Income

Particulars (BDT mn)	FY16	FY17	FY18
Revenue	75	332	469
Cost of goods sold	26	68	102
Gross profit	48	264	367
Administrative & other expenses	32	80	113
Distribution and selling expenses	2	3	4
EBITDA	14	180	250
Depreciation & amortization	20	37	64
EBIT	-6	143	186
Net finance cost	38	96	98
Profit before WPPF	-44	47	88
WPPF	0	0	4
Profit before Tax	-44	47	84
Tax Expenses	-15	16	38
Current year	-15	0	2
Prior year	0	0	7
Deferred tax	0	16	28
Net profit after tax	-29	30	46
No of shares (mn) - Pre IPO			100.0
No of shares (mn) - Post IPO			115.0
EPS (BDT) - Pre IPO	-0.29	0.30	0.46
EPS (BDT) - Post IPO	-0.25	0.26	0.40

Statement of Financial Position

Particulars (BDT mn)	FY16	FY17	FY18
Property, Plant and Equipment	985	1,829	2,826
Capital Work in Progress	2,745	2,214	1,505
Deferred Tax Assets	15	0	0
Non-current assets	3,746	4,043	4,331
Stock of Construction Material	15	20	25
Inventories	1	4	21
Trade and Other Receivables	3	7	70
Advances, Deposits and Prepayments	125	44	110
Cash and Cash Equivalents	13	11	231
Current assets	157	86	456
Total assets	3,904	4,129	4,787
Share Capital	63	85	1,000
Retained Earnings	-29	2	48
Shareholder's equity	34	87	1,048
Non-current portion of long term secured borrowings	2,465	3,203	22
SPBRSL 20% Convertible Secured Bond	0	0	3,472
Share money deposit	509	487	0
Deferred tax liabilities	0	1	29
Non-current liabilities	2,975	3,691	3,523
Current portion of long term secured borrowings	654	148	13
Short term borrowings	130	137	113
Accounts and other Payables	96	58	49
Accruals and Provisions	16	9	41
Current liabilities	895	352	217
Total liabilities	3,870	4,043	3,740
Total liability & shareholder's equity	3,904	4,129	4,787
BVPS (Pre IPO)	0.34	0.87	10.48
BVPS (Post IPO)	0.29	0.75	9.11

Statement of Cash Flows

Particulars (BDT mn)	FY16	FY17	FY18
Operating cash flow		170	183
Investing cash flow		-313	-361
Financing cash flow		141	399
Net changes in cash		-2	220
Cash & cash equivalents (beginning)		13	11
Cash & cash equivalents (ending)		11	231
OCF per share (BDT) (Pre-IPO)		1.70	1.83
OCF per share (BDT) (Post-IPO)		1.48	1.59

Key Ratios

Growth YoY	FY17	FY18
Revenue growth (%)	344.5	41.4
Gross profit growth (%)	446.9	39.0
EBITDA growth (%)	1188.8	38.6
EBIT growth (%)	-2459.8	29.9
Net profit growth (%)	-205.5	52.3

Margins	FY16	FY17	FY18
Gross profit margin (%)	64.7	79.6	78.2
EBITDA margin (%)	18.7	54.4	53.3
EBIT margin (%)	-8.1	43.1	39.6
PBT margin (%)	-59.2	14.0	17.9
Net profit margin (%)	-38.5	9.1	9.8

Per share data	FY16	FY17	FY18
EPS (BDT) - Pre IPO	-0.29	0.30	0.46
EPS (BDT) - Post IPO	-0.25	0.26	0.40
BVPS (BDT) - Pre IPO	0.34	0.87	10.48
BVPS (BDT) - Post IPO	0.29	0.75	9.11
OCFPS - Pre IPO (BDT)	NA	1.70	1.83
OCFPS - Post IPO (BDT)	NA	1.48	1.59

Return and valuation	FY16	FY17	FY18
Return on equity (%)	-84.9	35.0	4.4
Return on assets (%)	-0.7	0.7	1.0
Debt-to-equity (%)	96.1	40.3	3.5

DuPont Analysis	FY16	FY17	FY18
Net profit margin (%)	-38.5	9.1	9.8
Total asset turnover (x)	0.0	0.1	0.1
Equity multiplier (x)	115.5	47.7	4.6

Cash conversion analysis	FY16	FY17	FY18
Days receivables outstanding	14.6	7.9	54.3
Days inventory outstanding	5.8	4.7	16.0
Days payables outstanding	467.3	64.1	38.2
Cash conversion cycle (days)	-446.9	-51.5	32.0

Efficiency	FY16	FY17	FY18
Receivable turnover (x)	25.1	46.3	6.7
Inventory turnover (x)	63.4	78.0	22.9
Payables turnover (x)	0.8	5.7	9.5

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Recommendation Type	Holding period (if not otherwise mentioned)	Absolute Return Potential
Buy	12 Months	More than +15%
Neutral/ Hold	12 Months	Between +15 % and -5 %
Underweight	12 Months	Less than -5 %

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Contact Us

Research Team

Rajib Kumar Das	Head of Research	rajib.das@ucb.com.bd	+880 1730 797 728
Anika Mafiz	Research Associate	anika.mafiz@ucb.com.bd	+880 1701 205 006
Zarif Ibne Arif	Research Associate	zarif.arif@ucb.com.bd	+880 1701 205 072
Md. Nazmus Sakib	Research Associate	nazmus.sakib@ucb.com.bd	+880 1701 205 073
Anik Mahmood Ibne Anwar	Research Associate	anik.mahmood@ucb.com.bd	+880 1701 205 074
Shadman Sadique Kamal	Research Associate	shadman.kamal@ucb.com.bd	+880 1701 205 096

Institutional & Foreign Trade

Sonchoy Saha, CFA	Head of Institutional Sales	sonchoy.kumer@ucb.com.bd	+880 1755 615 313
Tahmidur Rahman	Senior Executive Officer	tahmid@blomberg.net rahman.tahmidur@ucb.com.bd	+880 1726 995 520

Office Premises

Head Office	Corporate Office	DSE Extension Office	Chattogram Office
6, Dilkusha C/A	Bulus Center (Level-2)	Room # 633, 9/E DSE Annex	Ayub Trade Center
1st Floor	Plot-CWS(A)-1, Road No-34	Building (5 th Floor)	1269/B SK Mujib Road (4th Floor)
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