PURSUIT

界面
JIEMIAN.COM

The largest IPO of the year landed on the Hong Kong stock market. What impact will Midea Group’s fundraising of HK$30 billion have on the market?

The industry believes that it will further increase the strength of the industrial and technology sectors, and will also help increase participation in the Hong Kong stock market.

Liu Chenguang LCG September 17, 2024 18:28 Views 145,000 Source: Jiemian News

The largest IPO in Hong Kong stocks this year is here.

On September 17, Midea Group (00300.HK) was listed on the Hong Kong Stock Exchange, becoming the largest IPO on the Hong Kong Stock Exchange in the past three years.

As of the close of the day, Midea Group's share price closed at HK$59.1 per share, an increase of 7.85% compared to the issue price.

Midea Group has been going public in Hong Kong for more than a year. In August last year, the company first announced that it would go public in Hong Kong for the second time; in October of the same year, the company submitted a listing application to the Hong Kong Stock Exchange; in April this year, it submitted a second application to the

Hong Kong Stock Exchange and passed the hearing of the Hong Kong Stock Exchange in August.

The announcement shows that Midea Group's global offering is about 566 million H shares, with 28.2928 million shares (about 5%) publicly offered in Hong Kong and 538 million shares (about 95%) placed internationally. The final offering price is HK$54.8 per share, and the global offering netted HK$30.668 billion.

The prospectus shows that Midea Group is a supplier of smart home and commercial and industrial solutions. Based on sales and revenue in 2023, Midea Group is the world's largest home appliance company, with a market share of 7.9% by sales. In 2023, the company ranked among the top three in the world in terms of sales in household air conditioners, washing machines, refrigerators, kitchen appliances and other home appliances, with market shares of 23.7%, 14.2%, 10.5% and 6.0%, respectively. During the same period, in terms of retail sales, Midea Group also ranked among the top three in the world in these four fields, with market shares of 21.1%, 12.5%, 7.7% and 4.6%, respectively. Among them, Midea Group ranked first in the fields of household air conditioners, kitchen appliances and other home appliances.

The prospectus shows that Midea Group's profits have been growing in the past three years, from 29 billion yuan in 2021 to 33.7 billion yuan in 2023. The company pointed out that the increase in the past year was mainly due to the increase in revenue from the smart home business, mainly due to the increase in consumer demand for its air conditioners, washing machines, refrigerators and kitchen appliances, and the increase in demand was due to the company's continuous innovation and upgrading, and the competitiveness of its products has been improved.

According to its development strategy, Midea Group plans to use the funds raised from the global offering for the following purposes and amounts: approximately 20% of the funds raised are expected to be used for global research and development investment; approximately 35% of the funds raised are expected to be used for continued investment in intelligent manufacturing systems and supply chain management upgrades; and approximately 35% of the funds raised will be used to improve global distribution channels and sales networks, as well as to increase overseas sales of its own brands.

Will the listing of Midea Group have a certain driving effect on the Hong Kong stock IPO market and even the secondary market?

Drew Bernstein, co-founder and co-chairman of Marcum Asia, told Jiemian News that blockbuster deals like Midea Group are crucial to investor sentiment. After experiencing a sluggish IPO market for the second year, the expansion of Midea Group's listing is undoubtedly a comfort to the Hong Kong Stock Exchange.

"However, the fact that Midea Group is already listed on the A-share market and is an industry leader does not mean that investors are taking a more 'risky' stance. We have to observe the performance of other new stocks in the coming months before we can judge whether the Hong Kong market will recover or not," said Drew Bernstein.

Chen Gang, co-director of the research department of Ad Financial, told Jiemian News that on September 9, Midea Group launched its Hong Kong stock offering, which may become the largest IPO of the Hong Kong stock market this year. Midea Group is a world-leading, technology-driven smart home and commercial and industrial solution provider. Its listing in Hong Kong will further increase the strength of the industrial and technology sectors in the Hong Kong stock market, and will also help increase participation in the Hong Kong stock market.

Chen Gang pointed out that as of September 9, there have been a total of 45 IPOs in the Hong Kong stock market since the beginning of the year, which is not very popular. In terms of financing amount, there are relatively few large IPOs. Excluding Midea Group, there are only 5 IPOs with financing of more than HK$1 billion, with a total financing of HK$7.736 billion. Before the secondary market has a significant recovery, this trend is expected to continue. In addition, for large IPOs, it is expected that on the one hand, in the future, large IPOs in Hong Kong stocks will come more from companies that have already been listed on the A-share market to go public in Hong Kong (such as Midea Group); on the other hand, in the future, large IPOs may no longer come mainly from new economy companies as in 2018-2022, but may mainly come from traditional industry companies.

On the 17th, Hong Kong stocks also showed a good growth momentum. As of the close of the day, the Hang Seng Index closed at 17660.02 points, a year-on-year increase of 1.37%; the Hang Seng Technology Index closed at 3536.57 points, a year-on-year increase of 1.12%.

Yan Zhaojun, a strategic analyst at Zhongtai International, told Jiemian News that Hong Kong stocks underperformed overseas stock markets due to the slow recovery of fundamentals. In August, except for exports, consumption, investment, production and imports were all lower than expected, and weak domestic demand is still the main problem. The Hang Seng Index of Hong Kong stocks has now fallen to an important technical support level, and the risk premium is also higher than the rolling two-year average by two standard deviations, which is an extreme situation. If there is marginal positive policy, Hong Kong stocks are more likely to rebound from oversold.

"The Federal Reserve's interest rate cut in September brought a certain amount of liquidity easing to the Hong Kong stock market, but the key to boosting the Hong Kong stock market's sustained upward trend lies in whether domestic policies can be further strengthened. Hong Kong stocks may maintain a narrow range of fluctuations before policies are significantly strengthened or fundamental data continue to strengthen." Yan Zhaojun believes that in terms of strategy, the investment value of high-dividend central state-owned enterprises with stable cash flow and dividends will be further highlighted after the stock price adjustment; and the cultural and tourism sector that is catalyzed by travel during the Mid-Autumn Festival and National Day holidays is worth paying attention to in the short term; technology, biomedicine and Hong Kong local stocks are more sensitive to interest rates.

Zhang Lin frankly admitted that for most companies, they can seek professional intermediary agencies to solve the above problems, which can help companies explore laws and regulations, as well as financial and tax issues, and improve the company's listing plan based on the company's current actual situation, and effectively avoid related risks.

In Wang Hongying's view, first of all, there may be cultural and institutional differences when listing overseas. For example, some domestic companies that seem to have good profits may face some questions about their business models after listing in Europe or the United States, such as some environmental issues, including some issues of labor protection, etc. Secondly, listing in the US and European markets also faces the reality of listing costs, that is, the overall labor costs in Europe and the United States are several times higher than those in China.

"When listing in the United States, the red chip structure design model that was often adopted before is not necessarily recognized by relevant departments. So from this perspective, although there is a certain opportunity to list in the European and American markets, and it is mainly considered from a valuation perspective, there are great challenges in the overall operation process." Wang Hongying said.

Wang Hongying believes that first of all, companies that are listed in the US and European capital markets are best to be internationally operated companies, because cross-border operations are easy to interact with all aspects of the US or European market, and the entire communication will be relatively smooth during the listing process. At the same time, its profits can cover the cost of listing overseas. In addition, it is very important that some companies listed overseas will face some national security reviews, similar to Didi's previous listing in the United States. This means that after the review of relevant departments, preparations for overseas listings and implementation of specific strategies can ensure that the entire operation process is relatively smooth.