

Rabobank acted as Bookrunner on the IPO of Cofco Meat

What exactly happens during the various stages of an ECM transaction? How do we successfully advise our client on raising equity capital? How international is Rabobank really? To answer these questions, we have included a small case study on the IPO of COFCO Meat on the Hong Kong Stock Exchange.

COFCO Meat

COFCO Meat is a leading Chinese company engaged in the production, processing and distribution of poultry and pork products, as well as in meat imports and exports. The vertically integrated company was founded in 2009 and is partially owned by COFCO Group, a state-owned food processing holding company based in Beijing. The remaining stake is held by an internationally renowned investor base, including KKR, Baring, Temasek, MIY and Boyu. COFCO Meats is currently one of the largest hog producers in China.

Transaction background

On June 27, 2016, COFCO Meat filed for an IPO on the Hong Kong stock exchange to capitalise on the strong business momentum and renewed investor confidence in Chinese food companies. The company's intention was to use the majority of the proceeds to finance the construction of new hog farms and feed mills.

Prior to officially launching the transaction, the deal had already been marketed to a number of investors to gauge interest for potential cornerstone positions, a common practice in Asian offerings. After obtaining the necessary regulatory approval, the IPO was launched with two weeks of marketing. During this marketing phase, research analysts of banks involved in the IPO organise "road-shows" at which they meet interested investors to educate them on the company's investment case.

Following the marketing phase, book building phase starts during which investors place orders for the IPO shares at their desired price. On the back of strong cornerstone demand, the book filled up in only two days. At the end of the book building period, the selling price per share was fixed, resulting in a final market capitalisation of HK\$ 7,804 million (USD 1,006 million). The shares officially started trading on the Hong Kong exchange on November 1, 2016.

What did Rabobank do?

Rabobank's two-pronged strategy is to be a leading wholesale bank in the Benelux, and to be the global link in the Food & Agri value chain. COFCO Meat and the majority owner COFCO are key clients to our franchise in Hong Kong. Due to this strong relationship and our global Food & Agri sector knowledge, COFCO Meat invited Rabobank to participate in its Hong Kong IPO.

ECM always involves working within the public domain, connecting companies and financial sponsors on the one hand, with a multitude of investors on the other hand, ranging from retail investors to institutional investors including the BlackRock's of this world. You will ensure smooth cooperation between the company, its lawyers, other syndicate banks and your own sales department. All the while, you will advise the company on deal structure, leverage (attracting financial debt) and valuation. Your job is to develop an attractive equity story, i.e. advise the company on how to best position itself. Finally, you will also set-up a detailed marketing plan to help source demand for the stock to be issued.

Key takeaways

As the only European investment bank on the deal, Rabobank was responsible for gauging interest with European investors, while also providing additional demand from local Asian investors. Some of the factors making this a very interesting deal include the language barriers, time-zone differences, compliance with a different regulatory regime and the required adaption to different market circumstances in Asia. Close collaboration with our Hong Kong office enabled Rabobank to help our client successfully list on the Hong Kong stock exchange.

Rabobank team quote

Melvin de Vries, Rabobank Analyst during the COFCO Meat IPO

"COFCO Meat was a very exciting project and a great opportunity for me to extend my IPO experience beyond the Netherlands. We had to quickly adapt to the Asian way of doing IPOs, which was an incredible learning experience. Rabobank offers me the opportunity to not only work on high-profile transactions in the Benelux, but also compete globally with major competitors in the Food & Agri sector"

