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WH GROUP: A FAILED IPO IN HONG KONG[[1]](#endnote-1)

Emir Hrnjic wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

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In July 2014, WH Group’s chairman and chief executive officer (CEO) Wan Long, nicknamed “China’s number one butcher,”[[2]](#endnote-2) resumed his normal work schedule in Hong Kong.[[3]](#endnote-3) After successfully building the meat processing giant from scratch, he had to cancel the attempt to list WH Group’s shares on the Hong Kong Stock Exchange via initial public offering (IPO). Rumours surfaced that the failed IPO affected his health.[[4]](#endnote-4)

With many challenges ahead for WH Group, Long had some decisions to make about the company’s future. Should he try again to list his company via initial public offering? Or should he keep the company private?

WH GROUP’S ORIGINS

WH Group originated from the merger between two meat processing companies: China’s Shuanghui International—a global leader in animal protein and the world's largest pork producer—and Smithfield Foods from the United States. Both Shuanghui and Smithfield Foods commanded top market shares of pork consumption in their respective countries—Shuanghui controlled 2 per cent in China and Smithfield Foods captured 26 per cent in the United States.[[5]](#endnote-5) The merged company would potentially create value by importing pork products to the Chinese market where food safety became a major issue.

Numerous scandals in the food industry in China received global media attention. After the scandal with melamine-tainted milk powder in 2008, Chinese consumers became increasingly concerned about food safety issues. In March 2013, thousands of dead pigs floated in rivers around Shanghai carrying a common pig disease (porcine circovirus).[[6]](#endnote-6) In 2011, Shuanghui International’s listed unit was found to be involved in having an illegal additive, clenbuterol, in its products. Shuanghui publicly apologized for this incident and closed down the plant involved.[[7]](#endnote-7)

Shuanghui

Shuanghui Group, a privately-owned meat processing company headquartered in Luohe, China, was founded in 1958 by the local Luohe government. Known as Shineway Group to English-speaking countries, the company dealt mainly in pork products including hog raising, execution, processing, and packaging. As of 2013, the company had assets worth more than CN¥20 billion,[[8]](#endnote-8) 70,000 employees, and sales of CN¥50 billion, becoming the biggest meat processing company in China. The company operated 13 facilities and produced 1,000 different products.[[9]](#endnote-9)

Long remained at the helm as the chairman of the board and the CEO from 1984 onwards. Under Long, sales grew from less than CN¥10 million in the 1980s to CN¥100 million in 1990 and to CN¥47.2 billion in 2013. Shuanghui’s subsidiary, Henan Shuanghui Investment & Development Company Limited, was listed on the Shenzhen Stock Exchange. Shuanghui lost its state-owned enterprise status when the Luohe government sold its stake in Shuanghui to a joint venture between Goldman Sachs and CDH Investments in 2006.[[10]](#endnote-10)

# Smithfield Foods

Smithfield Foods, Inc. (Smithfield) was the largest pork producer in the United States, with over 46,000 employees and annual revenue of US$13 billion. Headquartered in Smithfield, Virginia, it operated facilities in 26 U.S. states. The company was started in 1936 by Joseph W. Luter Sr. and his son as the Smithfield Packing Company. In 2006, Larry Pope took over as CEO. Under his leadership, Smithfield developed “an industry-leading sustainability program focused on the environment, animal care, employees, food safety, communities, and value creation.”[[11]](#endnote-11)

MERGER

On May 29, 2013, Shuanghui announced that it would purchase Smithfield, for US$34 per share, for a total of US$4.72 billion.[[12]](#endnote-12) The merger became the largest acquisition to date of a U.S. company by a Chinese company,[[13]](#endnote-13) since the value of the deal totalled roughly US$7.1 billion once the company’s debt was assumed.[[14]](#endnote-14) The purchase price of US$34 per share represented a 31 per cent premium over Smithfield’s market price. It also implied eight times the company’s enterprise multiple ratio (calculated as Enterprise Value / Earnings Before Interest, Taxes, Depreciation and Amortization) as well as 13 times the price / earnings (P/E) ratio, based on 2014 consensus estimates.[[15]](#endnote-15)

After the announcement of the merger, Long stated, “Together we look forward to utilizing our individual strengths, including Shuanghui’s extensive distribution network in China and Smithfield’s leading production and safety protocols, to provide safe, high-quality products to consumers worldwide.”[[16]](#endnote-16)

Smithfield’s CEO Larry Pope added his own remarks about the merger:

Our partnership ensures the stability of our business for all our stakeholders, particularly our employees and the communities we serve, while simultaneously unlocking exciting opportunities for growth in the large and rapidly growing Chinese pork market. This is a new era for Smithfield, but one that will continue to be defined by the strictest adherence to the highest standards of food safety and quality, an unwavering commitment to giving back to our communities and acting as a responsible global corporate citizen.[[17]](#endnote-17)

Smithfield executives emphasized that the deal centred on satisfying growing demands for meat in China. While America’s meat consumption had been shrinking, China’s consumption was growing to twice the size of America’s. China’s half a billion pigs represented roughly half of the global pig population, and yet China was continuing to import pork.[[18]](#endnote-18) Smithfield, the world’s largest hog producer, raised about 15.8 million hogs per year[[19]](#endnote-19) and exported a quarter of its products to China.[[20]](#endnote-20)

Obstacles

In the process, the merger faced numerous obstacles including a U.S. Senate hearing regarding the possibility that Smithfield plants were located close to sensitive government facilities and, therefore, represented a potential national security risk.[[21]](#endnote-21) Missouri Governor Jay Nixon vetoed two bills related to revoking the ban on foreign ownership of agricultural land in that American state. In addition, activist investor Starboard—which owned 5.7 per cent of Smithfield shares—tried to block the merger, claiming that it had an indication of interest from third parties that exceeded the offered price. According to some sources, there were at least two other bidders for Smithfield.[[22]](#endnote-22)

However, none of these obstacles remained in the way. By September 26, 2013, Shuanghui announced the completion of the acquisition of Smithfield—the largest Chinese investment in the United States. Shuanghui would buy Smithfield’s shares at US$34 per share for a total of US$4.7 billion. Shuanghui would also assume US$2.4 billion in debt, which amounted to a total deal value of US$7.1 billion. The deal valued Smithfield at 12.9 times its estimated profit for the year ended April 2014. More than 96 per cent of Smithfield’s shareholders voted in favour of the transaction.

Syndicated Loan

Shuanghui raised a US$4 billion syndicated loan to finance the merger. Bank of China held US$1 billion, six banks received US$450 million each, and ICBC (Asia) received US$300 million. The loan included a US$2.5 billion three-year tranche paying the London Interbank Offered Rate (LIBOR) + 350 basis points and a US$1.5 billion five-year tranche at LIBOR + 450 basis points.[[23]](#endnote-23)

The loan was secured by shares in Smithfield Foods and a 73.26 per cent stake in a Shenzhen-listed Henan Shuanghui Investment & Development. According to the Debtwire, the deal included the following financial covenants:

Shuanghui International Holdings consolidated net worth must not fall below US$2 billion; consolidated total net borrowings-to-consolidated Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) must not exceed five times the value; interest coverage ratio must stay above 1.5 times the value; [and] the onshore unit’s total borrowings must not exceed US$490 million.[[24]](#endnote-24)

Shuanghui hired several banks for its impending IPO, including UBS, Standard Chartered, Morgan Stanley, Goldman Sachs, Citic Securities International, and BOC International. Clearly, Shuanghui had planned two processes simultaneously and, according to sources, promised bankers that the three-year tranche would be repaid from IPO or bonds proceeds. The company generated an EBITDA of US$635 million in 2012; analysts expected the EBITDA of US$1.5 billion in 2014.[[25]](#endnote-25)

Post-Merger

Both companies claimed that existing American plants would continue operating as independent businesses without changes.[[26]](#endnote-26) All management teams and workforces of Smithfield’s Operating Companies (including company CEO and President Larry Pope) continued in place after the transaction. After the acquisition was finalized on September 26, 2013, Smithfield delisted from the New York Stock Exchange and continued to operate as Smithfield Foods (a wholly-owned subsidiary of Shuanghui International), keeping its existing brand names.[[27]](#endnote-27) Shuanghui counted on importing safe and inexpensive pork from the United States to meet rising demand for pork in China. At the same time, the best operational practices from the United States (including food safety) would be transferred to Chinese operations in order to improve efficiency of China operations.[[28]](#endnote-28)

According to the company’s IPO Prospectus:

We plan to leverage our U.S. brands, raw materials and technology, our distribution and marketing capabilities in China and our combined strength in research and development to expand our range of American-style premium packaged meat products offerings in China to appeal to the palate of Chinese consumers demanding Western products, which we expect to positively affect our turnover and profitability.[[29]](#endnote-29)

In January 2014, Shuanghui International Holdings Limited announced that it had changed its corporate name to WH Group Limited. WH Group’s mission would continue to be “delivering quality, tasty, and nutritious animal protein products worldwide, anchored on a safety-first priority.”[[30]](#endnote-30)

# IPO ATTEMPT

# Financials

According to the press release, WH Group’s total turnover (sales) increased to US$5.053 billion in the first three months of 2014 (compared to US$1.554 billion in the same period a year before), while cost of sales increased to US$4.281 billion. Gross profit also increased to US$772 million, or 15.3 per cent, of the turnover.[[31]](#endnote-31) As a consequence of different taxation systems, the effective tax rate increased from 22.4 per cent to 30 per cent.[[32]](#endnote-32) Borrowings amounted to US$7.735 billion as of March 31, 2014. Bank loans with fixed interest rates varied from 2.37 per cent to 2.65 per cent, while loans with variable interest rates carried the LIBOR + 1.5 per cent to a LIBOR + 2.5 per cent (see Exhibits 1–4).[[33]](#endnote-33)

# Valuation

On April 10, 2014, WH Group filed for a US$5.3 billion initial public offering in Hong Kong.[[34]](#endnote-34) WH Group set an unusually wide initial valuation range of HK$8.00[[35]](#endnote-35) to HK$11.25.[[36]](#endnote-36) A total of 3.65 billion shares would be offered, valuing the deal at HK$41.06 billion (US$5.3 billion) at the upper end of the filing range.[[37]](#endnote-37) The firm had a debt-to-equity ratio of 236.8 per cent with the total debt of US$7.4 billion. For a comparison, the same ratio was 7.6 per cent a year before (see Exhibits 2 and 3).

The initial filing range (HK$8 to HK$11.25) implied a valuation of 15 to 21 times its estimated 2014 earnings.[[38]](#endnote-38) In comparison, the U.S.-based distributor Hormel Foods and WH’s mainland China-listed unit Henan Shuanghui Investment & Development were valued at roughly 20 and 17 times their earnings, respectively.[[39]](#endnote-39) Shuanghui’s European packaged meat business was trading at 20.12 times its 2014 earnings.[[40]](#endnote-40) Other comparables included Chinese Tingyi Holdings and Wan Want China Holdings, trading at 30 and 24 times forward earnings, respectively (see Exhibits 5 and 6).

# Business Concerns

Historically, the pork prices in the United States had been on average 50 per cent below those in China, mainly because the price of feed had been lower. However, U.S. prices increased in 2014 as a result of the porcine epidemic diarrhea virus, which killed almost 5 million pigs (about 4.5 per cent of annual production).[[41]](#endnote-41) Related stock prices in Chicago surged dramatically in the first few months of 2014, indicating the shortage in supply (see Exhibit 7).

Another concern involved the share compensation to Wan Long, the company’s CEO, and Yang Zhijun, one of the company’s directors, who were awarded company shares worth almost US$600 million as a “recognition and reward for contribution to the acquisition of Smithfield.”[[42]](#endnote-42) According to David Webb, a corporate governance advocate, this was considered very unusual:

Normally, you would incentivise management for overall long-term performance and not simply for executing a transaction – which is part of their job. Especially given that there’s no evidence yet that the transaction is value-accreting. Let’s hope they don’t continue that kind of remuneration policy after they go public.[[43]](#endnote-43)

# IPO Concerns

The IPO came at a time of slower growth in China and rising interest rates in the United States. Since the launch of the IPO, Hong Kong’s Hang Seng Index dropped 4.5 per cent and the H-Share Index lost 6.2 per cent.[[44]](#endnote-44) Other Asian IPOs had also been underperforming. For example, shares of Japan Display Inc., which went public in March 2014, fell 16 per cent, while Hong Kong’s A.S. Watson Group scrapped its multi-billion dollar IPO;[[45]](#endnote-45) Sina Weibo shares got listed on the NASDAQ in April 2014, but the company had to cut down the number of offered shares by almost 20 per cent and price the IPO at the bottom end of its range of US$17–19.[[46]](#endnote-46) All of this occurred at a time when investors were waiting for the most anticipated Asian IPO ever: Alibaba Group.[[47]](#endnote-47)

Withdrawal

Obviously, both underwriters and management had clearly overestimated investor demand for WH Group. The large number of underwriters for the IPO didn’t prove to be a good idea. They apparently failed to coordinate well with each other during the deal’s pricing and estimating of demand.[[48]](#endnote-48) Similar-sized deals in Hong Kong would tap so-called “cornerstone investors,” who were investors that received a guaranteed allocation in exchange for retaining the stakes for at least six months.[[49]](#endnote-49) Even though WH Group hired a record 29 underwriters, they didn’t sign any of these cornerstone investors.

Due to the lack of demand, WH Group reduced the size of the deal from $5.3 billion to $1.9 billion.[[50]](#endnote-50) However, that reduction failed to incite investors, so WH group officially announced the withdrawal of its IPO, citing “deteriorating market conditions and recent excessive market volatility.”[[51]](#endnote-51)

NEW ENVIRONMENT

On May 14, 2014, WH Group reported record first quarter earnings. Smithfield Foods posted a net income of US$105.3 million, a 479 per cent increase from the same quarter a year earlier.[[52]](#endnote-52) Sales went up by 3 per cent to US$3.4 billion and consolidated operating profit increased 234 per cent to US$196.4 million.[[53]](#endnote-53) The Chinese and U.S. segments combined rose 225 per cent to US$407 million. The Hang Seng Index rallied about 6 per cent in one month (see Exhibit 8). Exhibit 9 provides equity risk premiums for relevant markets, while Exhibit 10 provides yields on relevant government bonds.

EPILOGUE

Long had faced various challenges throughout his career, but this one seemed especially difficult: should he try again to list his company through a second IPO attempt or should he keep the company private? Long carefully examined his options.

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The author would like to thank the Centre for Asset Management Research & Investments (CAMRI) for the donation to this case and XiangYu Zhou for his excellent research assistance.

Exhibit 1: WH Group’S INCOME STATEMENT (In US$ Million)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Information Released in | | |  | Additional Information | |
|  | April IPO Prospectus | | |  | Released in July | |
|  | **Year ended** | | |  | **Three months ended** | |
|  | **December 31, 2013** | | |  | **March 31, 2014** | |
|  |  |  |  |  |  |  |
| Turnover |  |  | 21,184 |  |  | 5,053 |
| Cost of sales |  |  | (18,028) |  |  | (4,281) |
| **Gross profit** |  |  | **3,156** |  |  | **772** |
| Distribution and selling expenses |  |  | (1,336) |  |  | (360) |
| Administrative expenses |  |  | (705) |  |  | (181) |
| Gain arising from agricultural produce at fair value |  |  |  |  |  |  |
| less cost to sell at the point of harvest |  |  | 124 |  |  | 111 |
| Gain arising from changes in fair value |  |  |  |  |  |  |
| less cost to sell biological assets |  |  | 76 |  |  | 305 |
| Other income |  |  | 8 |  |  | 24 |
| Other gains and losses |  |  | 19 |  |  | 6 |
| Other expenses |  |  |  |  |  | (19) |
| Finance costs |  |  | (376) |  |  | (92) |
| Share of profits of associates |  |  | 8 |  |  | 4 |
| Share of (losses) profits of joint |  |  |  |  |  |  |
| ventures |  |  |  |  |  | 12 |
| **Profit before taxation** |  |  | **974** |  |  | **582** |
| Taxation |  |  | (279) |  |  | (175) |
| **Profit for the year/period** |  |  | **695** |  |  | **182** |

Source: WH Group IPO Prospectus, accessed March 3, 2015.

Exhibit 2: WH Group’s combined BALANCE SHEET (IN US$ Million)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Information Released in | | | | |  | Additional Information |
|  | April IPO Prospectus | | | | |  | Released in July |
|  |  |  | | |  |  |  |
|  | **As of December 31,** | | | | |  | **As of March 31,** |
|  | **2011** | | **2012** | **2013** | |  | **2014** |
| Non-current assets | 2,179 | | 2,227 | 8,989 | |  | 8,904 |
| Current assets | 1,703 | | 1,270 | 5,167 | |  | 5,735 |
| Current liabilities | 1,619 | | 788 | 2,822 | |  | 2,892 |
| Net current assets | 84 | | 482 | 2,345 | |  | 2,843 |
| Total assets less current liabilities | 2,263 | | 2,709 | 11,334 | |  | 11,747 |
| Non-current liabilities | 130 | | 159 | 8,196 | |  | 8,562 |
| **Net assets** | **2,133** | | **2,550** | **3,138** | |  | **3,185** |
|  |  | |  |  | |  |  |
| Capital and reserves |  | |  |  | |  |  |
| Share capital | 1 | | 1 | 1 | |  | 1 |
| Reserves | 1,547 | | 1,788 | 2,274 | |  | 2,422 |
| Equity attributable to owners of the |  | |  |  | |  |  |
| company | 1,548 | | 1,789 | 2,275 | |  | 2,423 |
| Non-controlling interests | 585 | | 761 | 863 | |  | 762 |
| **Total equity** | **2,133** | | **2,550** | **3,138** | |  | **3,185** |

Source: WH Group IPO Prospectus, accessed March 3, 2015.

Exhibit 3: WH Group’S KEY FINANCIAL RATIOS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Information Released in | | |  | Additional Information |
|  | April IPO Prospectus | | |  | Released in July |
|  |  |  |  |  |  |
|  |  |  |  |  | **For the three** |
|  | **For the year ended** | | |  | **months ended** |
|  | **December 31,** | | |  | **March 31,** |
|  | **2011** | **2012** | **2013** |  | **2014** |
| Gross Profit Margin | 10.1% | 15.6% | 15.8% |  | 15.3% |
| Net Profit Margin | 2.4% | 5.2% | (2.3)% |  | 7.0% |
| Return on Equity | 8.9% | 19.5% | (12.9)% |  | 15.0% |
| Return on Total Assets | 5.1% | 12.7% | (0.8)% |  | 2.8% |
|  |  |  |  |  |  |
|  | **As of December 31,** | | |  | **As of March 31,** |
|  | **2011** | **2012** | **2013** |  | **2014** |
| Current Ratio | 1.05 | 1.61 | 1.83 |  | 1.98 |
| Debt-to-Equity Ratio | 40.5% | 7.6% | 236.8% |  | 242.9% |

Source: WH Group IPO Prospectus, accessed March 3, 2015.

Exhibit 4: BORROWINGS (AS OF MARCH 31, 2014)

|  |  |
| --- | --- |
|  |  |
| **Borrowings** | **Amount outstanding (US$ million)** |
| 6.625% senior unsecured notes, due August 2022 | 1,021 |
| 7.75% senior unsecured notes, due July 2017 | 528 |
| 5.25% senior unsecured notes, due August 2018 | 490 |
| 5.875% senior unsecured notes, due August 2021 | 391 |
|  | 2,430 |

Source: WH Group IPO Prospectus, 325, accessed October 1, 2015.

EXHIBIT 5: COMPARABLES DATA AS OF APRIL 1, 2014, PRIOR TO IPO (IN HK$)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Name** | **Ticker & Exchange** | **Share Price** | **Mkt Cap (HKD)** | **Tot Assets** | **Revenue (TTM)** | **Net Income (TTM)** | **EPS (TTM)** | **P/E** | **ROE** |
| **Average** |  | 36.66 | 66.53B | 51.22B | 66.79B | 2.75B | 1.94 | 26.89 | 11.72% |
| **Wan Want China Holdings** | 151 HK | 11.90 | 157.23B | -- | 27.81B | 4.89B | 0.37 | 29.50 | -- |
| **Tingyi (Cayman Island) Holdings** | 322 HK | 22.50 | 125.92B | 65.32B | 81.80B | 3.10B | 0.55 | 37.62 | 15.06% |
| **Henan Shuanghui Investment & Development Co** | 000895 CH | 49.32 | 108.52B | 25.30B | 52.04B | 5.47B | 2.48 | 20.79 | 29.58% |
| **Uni-President Enterprise** | 1216 TT | 12.51 | 68.34B | 96.27B | 110.80B | 2.81B | 0.52 | 20.05 | 15.49% |
| **Charoen Pokphand Food** | CPF TB | 6.71 | 51.99B | 86.52B | 96.76B | 1.41B | 0.19 | 25.45 | 6.59% |
| **Indofood Sukses Makm** | INDF IJ | 5.09 | 44.70B | 49.75B | 42.30B | 2.09B | 0.24 | 20.70 | 11.16% |
| **Nh Foods Ltd** | 2282 JP | 113.17 | 25.85B | 47.20B | 86.92B | 1.89B | 9.45 | 12.36 | 7.98% |
| **Itoham Foods Inc** | 2284 JP | 34.90 | 8.64B | 15.27B | 35.90B | 375.19M | 1.75 | 20.77 | 4.08% |
| **Campofrio Food Group** | CFG SM | 73.85 | 7.55B | 24.09B | -- | -- | -- | 54.77 | 0.0379 |

Source: Created by the author based on Bloomberg L.P., “Accounting and Capital Market Data for WH Group’s Comparables as of April, 1, 2014,” Bloomberg Database, accessed February 27, 2015.

EXHIBIT 6: COMPARABLES DATA AS OF AUGUST 1, 2014 (IN HK$)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Name** | **Ticker & Exchange** | **Share Price** | **Mkt Cap** | **Tot Assets** | **Revenue (TTM)** | **Net Income (TTM)** | **EPS (TTM)** | **P/E** | **ROE** |
| **Average** |  | 42.37 | 64.83B | 57.70B | 68.03B | 2.81B | 2.07 | 31.55 | 14.08% |
| **Wan Want China Holdings** | 151 HK | 10.62 | 140.14B | -- | 27.81B | 4.89B | 0.37 | 25.95 | -- |
| **Tingyi (Cayman Island) Holdings** | 322 HK | 21.75 | 121.79B | 69.78B | 84.87B | 3.17B | 0.57 | 35.43 | 15.45% |
| **Henan Shuanghui Investment & Development Co** | 000895 CH | 47.10 | 103.65B | 25.20B | 56.51B | 4.87B | 2.21 | 18.93 | 33.63% |
| **Uni-President Enterprise** | 1216 TT | 13.95 | 76.22B | 97.13B | 110.51B | 3.33B | 0.61 | 21.81 | 15.20% |
| **Charoen Pokphand Food** | CPF TB | 6.51 | 50.37B | 90.72B | 98.21B | 1.77B | 0.24 | 19.85 | 7.58% |
| **Indofood Sukses Makm** | INDF IJ | 4.74 | 40.71B | 55.36B | 43.03B | 1.91B | 0.22 | 20.10 | 13.63% |
| **Nh Foods Ltd** | 2282 JP | 171.04 | 34.89B | 50.04B | 87.57B | 2.14B | 10.64 | 16.32 | 9.08% |
| **Itoham Foods Inc** | 2284 JP | 33.81 | 8.37B | 15.67B | 35.72B | 358.15M | 1.67 | 20.83 | 3.99% |
| **Campofrio Food Group** | CFG SM | 71.82 | 7.34B | -- | -- | -- | -- | 104.76 | -- |

Source: Created by the author based on Bloomberg L.P., “Accounting and Capital Market Data for WH Group’s Comparables as of August, 1, 2014,” Bloomberg Database, accessed February 27, 2015.

Exhibit 7: HOG PRICES IN CHINA AND THE UNITED STATES

Monthly Average Live Hog Prices in China (CNY per kg)



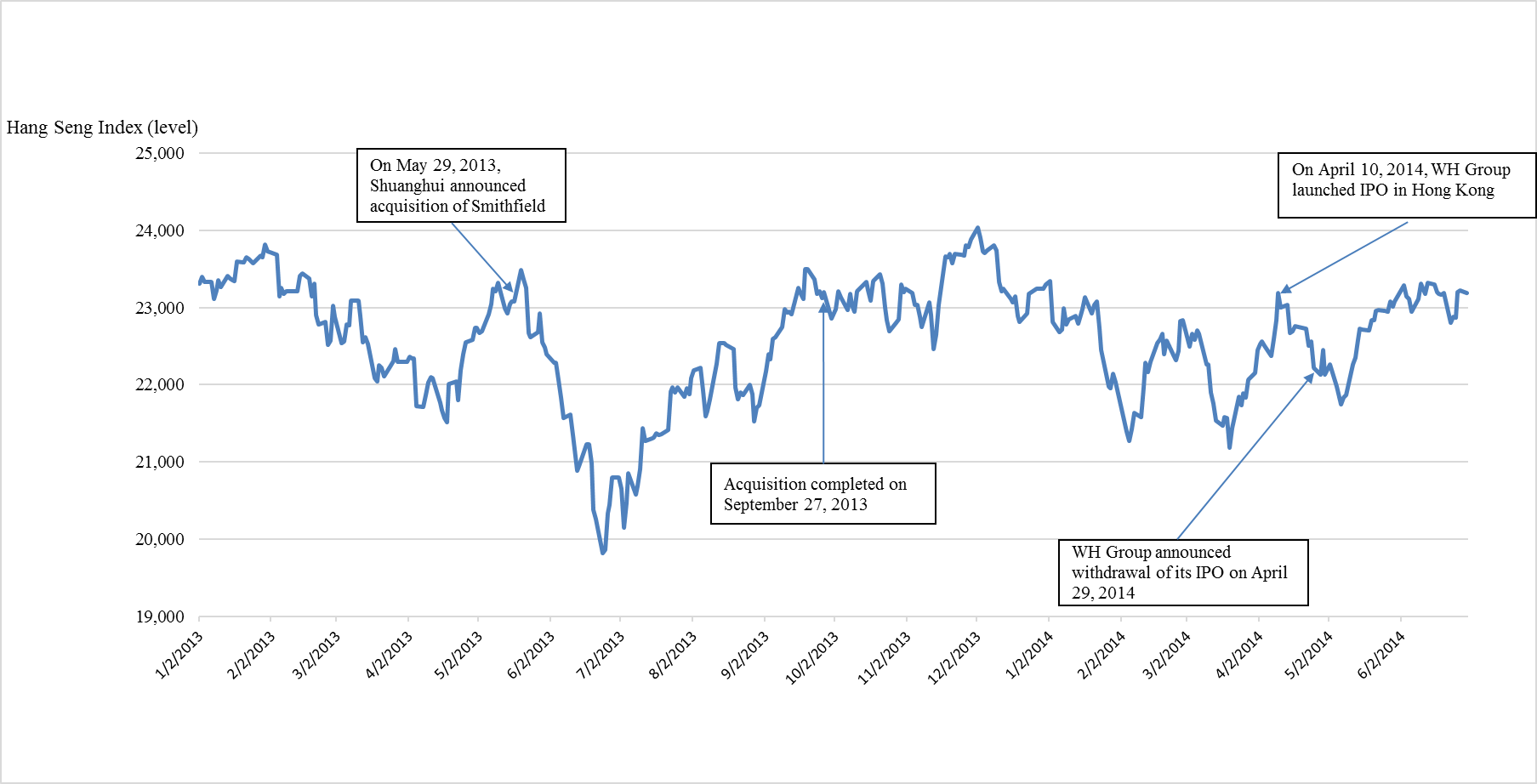
Monthly Average Live Hog Prices in U.S. (USD per cwt\*)



Note: \*cwt (hundredweight) is equal to 100 pounds

Source: WH Group IPO Prospectus, accessed May 4, 2015.

EXHIBIT 8: HANG SENG INDEX IN THE PERIOD JANUARY 1, 2013 to JUNE 30, 2014



Source: Yahoo! Southeast Asia Pte. Ltd., “Standard Chartered PLC (SCBFF),” https://sg.finance.yahoo.com/q/hp?s=SCBFF, accessed February 27, 2015.

EXHIBIT 9: IMPLIED EQUITY RISK PREMIUMS

|  |  |  |
| --- | --- | --- |
| **Region** | **Equity Risk Premium** | **Currency Rating** |
| China | 5.90% | Aa3 |
| Singapore | 5.00% | Aaa |
| United States | 5.00% | Aaa |
| United Kingdom | 5.60% | Aa1 |

Source: Professor Aswath Damodaran’s web page, http://pages.stern.nyu.edu/~adamodar/, accessed January 15, 2015.

EXHIBIT 10: GLOBAL GOVERNMENT BONDS

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Coupon (%)** | **Country** | **Maturity** | **Yield (%)** | **Spread** |
| 4.08 | China | 10-Year | 4.57 | 182 |
| 1.94 | Hong Kong | 10-Year | 2.279 | –47.1 |
| 2.75 | United States | 10-Year | 2.75 | --- |

Source: Bloomberg L.P., “Government Bonds’ Yields as of August, 1, 2014,” Bloomberg Database, accessed February 27, 2015.

endnotes

1. This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of WH Group or any of its employees. [↑](#endnote-ref-1)
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