# Smithfield Owner Plans IPO to Raise up to $5.3B

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HONG KONG (AP) — China's WH Group, which became the world's biggest pork company after buying Smithfield Foods [1] of the U.S. last year, said Monday it plans to raise up to $5.3 billion in an initial public offering on the Hong Kong Stock Exchange.

Most of the money will be used to pay off the debt used to buy Smithfield [2]. The acquisition turned the Chinese company into a global butcher with the ability to source cheaper hogs from the U.S. to better supply rapidly growing demand for pork in China, the world's second largest economy.

"WH Group's listing on the Hong Kong Stock Exchange is in line with our stature as the world's largest pork company, with an increasingly global reach," CEO Wan Long said in a statement.

China is expected to account for four-fifths of the growth in global pork consumption in the next five years, according to a Frost & Sullivan research report the company commissioned. Consumption in the United States and other Western markets, meanwhile, is leveling off.

The company bought Smithfield Foods Inc., the largest U.S. pork company, less than a year ago for $4.7 billion in cash.

WH Group, which changed its name from Shuanghui International Holdings after acquiring Smithfield, is the dominant pork producer in China, which accounted for more than half of the 107 million metric tons of pork consumed globally in 2012.

The takeover of Smithfield, which including debt was worth about $7.1 billion, was the largest acquisition of by a Chinese company of a U.S. firm. It followed a number of high profile food safety scandals in China, including one that involved WH Group, that have made Chinese vigilant about food quality.

By purchasing Smithfield, the Chinese company taps into a source of cheap, high quality hogs for the growing China market.

In a prospectus released earlier this month it said, "We plan to import into China safe, high-quality and cost competitive fresh pork from the U.S., which we believe will positively affect turnover and margins for our China operations."

The document said hog prices from 2010 to 2012 were 40 percent lower in the U.S. than China because of cheaper feed costs and higher productivity. The grain used as hog feed — the biggest cost in pork production — is 50 percent higher in China.

Pork is the staple meat in China but numbers indicate there is still a lot more that can be sold to Chinese consumers, whose rising incomes thanks to surging economic growth mean many millions more can afford to eat meat.

In 2012 China's per capita pork consumption was about 40 kilograms, compared with 79 kilograms in the wealthy former British colony of Hong Kong, according to the Frost & Sullivan report. Chinese ate less than half the amount of meat overall that Americans did per year.

WH Group said it is selling 3.65 million shares priced at between 8 and 11.25 Hong Kong dollars ($1.03 and $1.45).

That would raise from HK$29 billion to HK$42 billion ($4.1 billion to $5.3 billion) for WH Group.

If demand is strong enough, there is an option to increase the IPO shares by 20 percent, allowing the company to raise up to $6.4 billion.

The IPO's pricing will be set April 22. The shares start trading April 30.



**Links:**
[1] http://www.foodmanufacturing.com/news/2013/09/smithfield-foods-closes-shuanghui-sale
[2] https://twitter.com/SmithfieldFoods