

## Kioxia IPO: \$30 Billion Company and No Prospectus In English. Really?

Sep 15, 2020 | By Alex Gavrish, Etalon Capital Ltd; author of "Story Investing"

Memory chipmaker Kioxia is expected to complete IPO and begin trading in the beginning of October. It is strange that such a large company did not publish an IPO presentation and prospectus in English.

Kioxia is offering 21.6 million new shares and will raise a total of about \$800 mil (at the estimated offer price of JPY 3,900) while existing shareholders will sell 74 million shares (including overallotment option). Toshiba will receive approximately \$1.4 bil in proceeds (if overallotment option will be exercised) and will remain with a 32% shareholding in Kioxia valued at \$6.3 bil.

At the estimated offer price mentioned above, Toshiba's stake could be valued at \$7.7 bil, which is 61% of Toshiba's current market capitalization and 53% of its Enterprise Value. Needless to say, if shares of Kioxia will perform well post IPO, the revaluation of Toshiba arising as a result of the recognition by market participants of Kioxia value is almost guaranteed.

As for the valuation, Kioxia will have a market cap of \$19.8 bil, net debt (estimated) of approximately \$9.8 bil and an Enterprise Value of \$29.6 bil. According to IPO prospectus in Japanese, in Q1 FY 21 Kioxia had an EBITDA of \$1.1 bil and taking this figure, on an annualized basis Kioxia would be valued at an EV/EBITDA valuation multiple of x6.7. Micron Technology, for example is currently valued at an EV/EBITDA multiple of x5.6 (based on similarly estimated annualized last quarter EBITDA).

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We would not jump into Kioxia immediately, but its IPO is certainly a positive [story](#) for Toshiba, which will be able to return part of proceeds to shareholders while giving market participants opportunity to revalue it by giving a full credit to its Kioxia stake.

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