

INITIATE COVERAGE

MM2 Asia (MM2 SP)

Singing To A Blockbuster Recovery

mm2 Asia is a media player with film production, cinema, post production and concerts/events production businesses. Hard hit by the COVID-19 pandemic, the group is a good proxy for the recovery in activities, including the resumption of concerts/events and normalisation of seating capacity in cinema theatres with a bumper slate of blockbusters in 2021. Its core film business has produced award-winning films. Initiate coverage with BUY. Target price: S\$0.098, 42% upside.

- Core production business with sizeable pipeline to be delivered in the near term along with regional growth prospects.** mm2 Asia (mm2) is a leading producer of Chinese content in the film industry. The group has an established track record, producing over 100 films since 2008. As a pure content producer, mm2 takes a lower risk in the film production process, earning production revenue (60-90% of investor funds) regardless of a film's box office success. As such, mm2's film production is fairly robust as long as it has a volume backlog of larger production films. According to mm2, it has 26 projects with a total project value of about S\$99m until FY22.
- Recovery play on concert resumption, blockbuster screening in theatres.** Concerts and live events have been hard hit by the pandemic. mm2's concert and event production segment had one production show in 1HFY21 (81 in FY20) and six promotion shows in 1HFY21 (47 in FY20). A path back to recovery appears to be in place. At designated venues in Singapore, up to 750 attendees are allowed if pre-event testing is implemented. As for the cinema business, audiences have been returning to theatres with a higher allowable seating capacity. There is also a bumper slate of Hollywood blockbuster films in 2021, which includes long-awaited sequels such as The Matrix 4. While online streaming of films has become more commonplace, recent theatrical releases in the post-circuit breaker period have seen encouraging box office revenues (eg Godzilla vs Kong). This could point to a better-than-expected viability of the cinema business.
- Strengthening balance sheet.** The group has recently completed a rights issue of approximately S\$54.7m which reduces net gearing to approximately 0.8x (vs 1.0x previously) and enables interest savings with the repayment of a medium-term note. There is also a possible spin-off for the cinema business, in which convertible bonds of S\$47.9m will be converted to equity in the listed cinema entity. If the cinema IPO materialises, this will further reduce the group's net debt level to 0.4x.
- Initiate coverage with BUY and sum-of-the-parts (SOTP) target price of S\$0.098.** mm2 is trading at 0.6x book value and an inexpensive 6x FY20 earnings (pre-COVID-19 levels). Concerns over its cinema business could be slowly lifted with: a) improved seating capacity, b) a potential spin-off, and c) a potential merger with Golden Village, while the overhang from its high debt levels has also been addressed.

KEY FINANCIALS

Year to 31 Mar (S\$m)	2019	2020	2021F	2022F	2023F
Net turnover	266	236	62	170	219
EBITDA	86	52	(12)	30	61
Operating profit	57	29	(30)	16	41
Net profit (rep./act.)	19	4	(48)	3	15
Net profit (adj.)	19	14	(48)	3	15
EPS (S\$ cent)	1.6	1.2	(2.1)	0.1	0.6
PE (x)	4.2	5.6	n.m.	63.3	10.9
P/B (x)	0.4	0.4	0.7	0.6	0.5
EV/EBITDA (x)	4.8	8.0	n.m.	13.9	6.8
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	7.2	1.5	(77.7)	1.5	6.7
Net debt/(cash) to equity (%)	95.5	104.9	88.8	46.3	40.2
Interest cover (x)	4.9	2.7	(0.7)	2.3	4.7
ROE (%)	9.7	1.6	n.a.	1.0	5.1
Consensus net profit	-	-	(34)	(21)	-
UOBKH/Consensus (x)	-	-	n.m.	n.m.	-

Source: mm2 Asia, Bloomberg, UOB Kay Hian

BUY

Share Price	S\$0.069
Target Price	S\$0.098
Upside	+42.0%

COMPANY DESCRIPTION

mm2 Asia is a media content provider. The company produces movies and infotainment programmes for TV stations, advertisers and online media. mm2 also finances, produces and distributes commercial content.

STOCK DATA

GICS sector	Communication Services
Bloomberg ticker:	MM2 SP
Shares issued (m):	2,325.6
Market cap (S\$m):	160.5
Market cap (US\$m):	121.1
3-mth avg daily t'over (US\$m):	0.7

Price Performance (%)

52-week high/low S\$0.161/S\$0.056

1mth	3mth	6mth	1yr	YTD
0.0	(32.4)	(46.2)	(52.3)	(38.7)

Major Shareholders

	%
Ang Wee Chye	32.7
FY21 NAV/Share (S\$)	0.13
FY21 Net Cash/Share (S\$)	0.05

PRICE CHART



Source: Bloomberg

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This report uses the closing prices of 26 April 2021

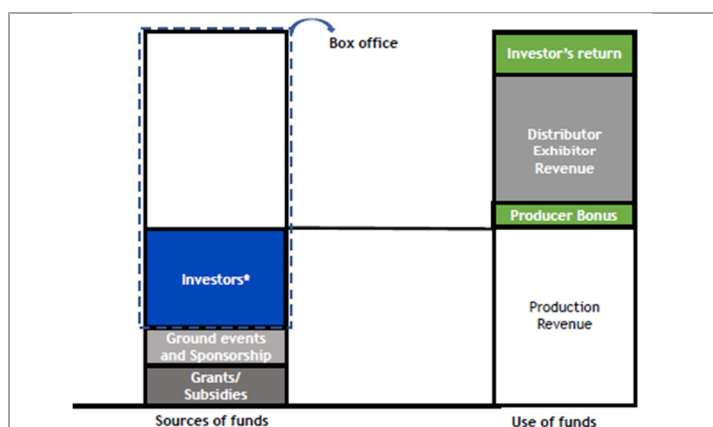
Investment Highlights

Core film business with sizeable pipeline and regional growth prospects. mm2 is a leading producer of Chinese content in the film industry. The group has an established track record, producing over 100 films since 2008. As a pure content producer, mm2 takes a lower risk in the film production process, as compared with film investors. mm2 earns production revenue (60-90% of investor funds) regardless of a film’s box office success. The company does not participate as a production investor unless the film budget is not 100% funded. Even in such scenarios, the stake mm2 takes will be lower than the fees that it earns. As such, mm2’s film production is fairly robust as long as it has built up a volume backlog of bigger budget films. According to the group, it has 26 projects with a total project value of approximately S\$99m until FY22.

Thus, growth would come from larger-scale productions as well as a higher volume of other productions, garnering better production margins. This would likely come to fruition if the group has built up a track record of quality film productions, which would give it an edge in attracting new scripts and well-regarded directors. At the recent 57th Golden Horse Awards in Nov 20, the group’s productions notched up 27 nominations and won five awards in various categories – Best Cinematography, Best Original Film Song, and Best Makeup and Costume Design. Over the years, the group has seen increased revenue contribution from Greater China and Taiwan (14% in FY15 to 23% in FY20) where larger-scale productions have taken place, while EBITDA margins have risen from 45% in FY18 to 63% in FY20.

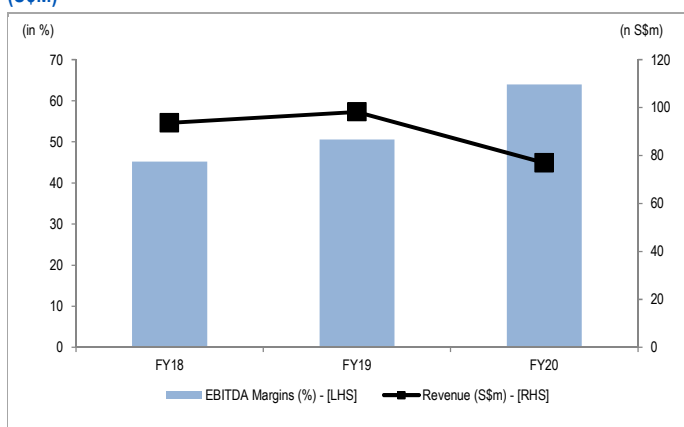
Film business boasts resilient EBITDA margins

FIGURE 1: MM2’S FILM PRODUCTION REVENUE COMPOSITION



* Represent 60% to 90% of production revenue
Source: mm2

FIGURE 2: FILM SEGMENT’S ADJUSTED EBITDA MARGIN (%) & REVENUE (\$M)



Source: mm2, UOB Kay Hian

Recovery play on concert resumption; still screening in theatres. Concerts and live events have been hard hit by the pandemic. The group’s concert and event production segment had one production show in 1HFY21 (81 in FY20) and six promotion shows in 1HFY21 (47 in FY20). Virtual concerts can reduce the impact from the reduction in live audience, such as JJ Lin’s Sanctuary Finale which will be streaming on 6 Jun 21, organised by a JV with UnUsUal Limited. However, we opine that the worst is over for live events. From 24 Apr 21 onwards, live performances at designated venues in Singapore are allowed to have up to 750 attendees if they implement pre-event testing, or to have up to 250 attendees if they do not implement pre-event testing. In our view, restrictions will be gradually reduced as the vaccine rollout becomes more widespread.

Capacity recovery in cinema seating and resumption of concerts

As for the cinema business, audiences have been returning to theatres with the reopening of cinemas and a higher allowable seating capacity in Singapore. Current allowable capacity is at 50%, with room for a sizeable improvement back to normalised levels. In addition, there is also a bumper slate of Hollywood blockbuster films that had been postponed from theatrical release in 2020. Titles include the popular Marvel film series (Black Widow, Eternals) as well as long-awaited sequels (The Matrix 4).

Bumper slate of movie releases in 2021, with encouraging ticket sales

While online streaming of films has become more commonplace with Hollywood studios partnering streaming platforms, recent theatrical releases in the post-circuit breaker period have seen encouraging box office revenues. In Singapore, Wonder Woman 1984 garnered S\$4.9m in box office sales, according to the Infocomm Media Development Authority, while the Godzilla vs Kong US box office sales (5 day opening) was estimated at almost US\$50m, even with a concurrent release on the streaming platform HBO Max. This could point towards better-than-expected viability of the cinema business in spite of the threat from streaming services. The group is also opening up its theatres to new experiences, such as live streaming of e-sports events.

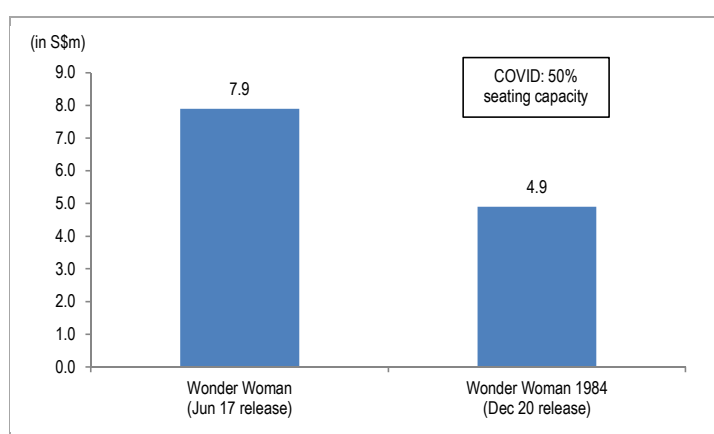
In addition, a possible merger of Cathay Cineplex (mm2's cinema) with Golden Village cinemas in Singapore is also in the works. This could provide economies of scale with the merged entity operating 22 cinemas in Singapore (60% of screens).

FIGURE 3: BUMPER SLATE OF 2021 FILM RELEASES (CORRECT AS AT APR 21)

Titles	Release Date	Streaming on US platforms
Godzilla vs Kong	31 Mar 21	Yes
Mortal Kombat	23 Apr 21	Yes
A Quiet Place: Part II	28 May 21	Yes
F9: The Fast Saga	25 Jun 21	?
Top Gun: Maverick	2 Jul 21	Yes
Black Widow	9 Jul 21	Yes
Space Jam: A New Legacy	16 Jul 21	Yes
Jungle Cruise	30 Jul 21	Yes
The Suicide Squad	6 Aug 21	Yes
Shang Chi and the Legend of the Ten Rings	3 Sep 21	Yes
Venom: Let There be Carnage	24 Sep 21	Yes
Dune	1 Oct 21	Yes
No Time to Die	8 Oct 21	No
Eternals	5 Nov 21	Yes
Mission: Impossible 7	19 Nov 21	Yes
Spider-Man: No Way Home	17 Dec 21	Yes
The Matrix 4	22 Dec 21	Yes

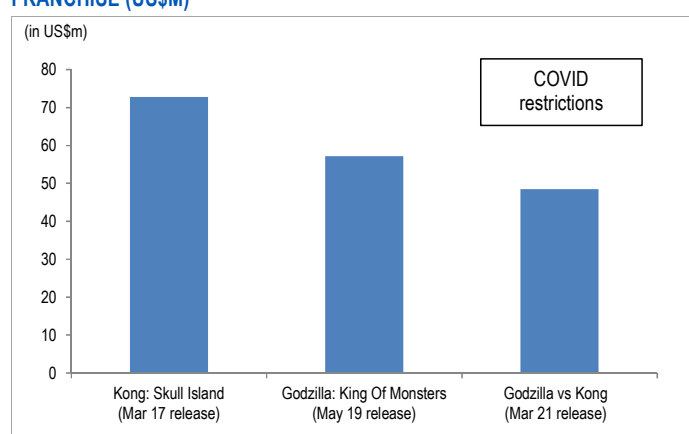
Source: Box Office Mojo, UOB Kay Hian

FIGURE 4: WONDER WOMAN FILMS – SINGAPORE BOX OFFICE (\$M)



Source: Infocomm Media Development Authority, Straits Times

FIGURE 5: US BOX OFFICE (5-DAY OPENING) FOR GODZILLA VS KONG FRANCHISE (US\$M)



Source: Box Office Mojo, UOB Kay Hian

Strengthening balance sheet. The group has recently completed a rights issue of approximately S\$54.7m which reduces the group's net gearing to approximately 0.8x (vs 1.0x previously) and enables interest savings with the repayment of a medium-term note. There is also a possible spin-off for the cinema business, in which convertible bonds of S\$47.9m will be converted to equity in the listed cinema entity. In addition, there will be a downstreaming of about S\$20m-30m in parent-level debt to the standalone cinema entity, which provides further cost savings and debt reduction for mm2. If the cinema IPO materialises, this will further reduce the group's net debt level to 0.4x

Valuation

Initiate with BUY, target price of S\$0.098, implying an 42% upside. Our target price is based on a sum-of-the-parts valuation, with: a) film production business at 7x EV/EBITDA, at a discount to larger-sized peers; b) cinema business at 7x EV/EBITDA, at a discount to larger-sized peers; c) UnUsUal Limited and Vividthree Productions valued at market price; and d) 30% conglomerate discount. Locally-listed GHY Culture & Media Holdings (GHY) is similarly engaged in media production, but is mainly involved in drama series production and does not have a cinema business segment. As such, we have included GHY in our peer comparison only for illustrative purposes.

Undemanding valuation for film and cinema business (6x on pre-COVID-19 FY19 earnings)

mm2 is trading at 0.6x book value and an inexpensive 6x FY20 earnings (pre-COVID-19 levels).

We opine that concerns over its cinema business could be gradually lifted with: a) improved capacity, b) a potential spin-off, and c) a potential merger with Golden Village. In our view, the overhang from its high debt levels has also been addressed, which could gradually reduce the conglomerate discount faced by the group.

FIGURE 6: PEER COMPARISON

Film Production Companies	Ticker	Trading Curr (LC)	Price @ 26 Apr 21 (LC)	Target Price (LC)	Market Cap (US\$m)	PE				P/B		EV/EBITDA 2021F (%)	Yield 2021F (x)	Net Gearing (%)
						2019 (x)	2020 (x)	2021F (x)	2022F (x)	2020 (x)	2021F (x)			
Toei Co	9605 JP	¥	23,970	n.a.	3,286	26.6	46.0	31.2	24.5	1.7	1.6	13.5	0.3	(23.9)
Toho Co	9602 JP	¥	4,445	n.a.	7,695	21.8	53.9	26.5	20.9	2.1	2.0	13.5	0.9	(32.0)
Cj Cgv Co	079160 KS	₩	26,500	n.a.	838	n.a.	n.a.	n.a.	n.a.	7.0	56.8	12.0	0.0	863.7
Cj Enm Co Ltd	035760 KS	₩	145,700	n.a.	2,878	27.4	50.8	20.2	16.0	0.9	0.9	4.6	1.0	11.7
China Film Co Ltd-A	600977 CH	Rmb	14.04	n.a.	4,041	24.7	n.a.	25.0	22.3	2.3	2.1	11.9	1.2	(58.9)
Simple Average						25.1	50.2	25.7	20.9	2.8	12.7	11.1	0.7	152.1
Cinema Companies														
Orange Sky Golden Harvest	1132 HK	HK\$	0.151	n.a.	54	18.9	n.a.	23.4	17.7	0.2	n.a.	n.a.	2.3	47.2
Imax China Holding Inc	1970 HK	HK\$	17.1	n.a.	768	18.4	n.a.	22.7	17.2	3.3	3.0	11.2	3.5	95.5
Major Cineplex Group	MAJOR TB	Bt	19.5	24.0	555	12.4	n.a.	21.3	14.6	2.7	2.6	12.2	3.3	(34.9)
Simple Average						15.4	n.a.	22.0	15.9	3.0	2.8	11.7	2.9	30.3
Others														
GHY Culture & Media	GHY SP	S\$	0.705	1.18	571	51.8	17.0	12.6	10.7	4.8	3.9	9.3	2.3	(63.1)
Mm2 Asia	MM2 SP	S\$	0.069	0.098	121	31.7	n.a.	n.a.	n.a.	0.6	0.6	9.3	n.a.	119.0

Source: Bloomberg, UOB Kay Hian

FIGURE 7: SOTP VALUATION

	Valuation	Per Share	Comments
- UnUsUal (39% stake)	S\$78.7m	S\$0.034	Market price
- Vividthree (41% stake)	S\$21.8m	S\$0.009	Market price
- Film Business	S\$269.3m	S\$0.116	7x FY22F EV/EBITDA [FY ending Mar 22] (30% discount to peers)
- Cinema Business	S\$158.8m	S\$0.068	7x FY22F EV/EBITDA [FY ending Mar 22] (30% discount to peers)
Net debt position	S\$(199.4m)	S\$(0.086)	
Valuation	S\$329.2m	S\$0.142	
Target Price	S\$228.8m	S\$0.098	30% Conglomerate Discount

Source: UOB Kay Hian

Company Background

Content and media for Asia. mm2 has integrated businesses across the content, entertainment, cinema, event and concert industries in Singapore, Malaysia, Hong Kong, Taiwan, China and the US.

Since the company's listing in 2014, mm2 has strengthened its core film production advantage through the acquisitions of Vividthree Productions, an award-winning virtual reality, visual effects and computer-generated imagery studio, as well as UnUsUaL Limited, an event production and concert promotion company.

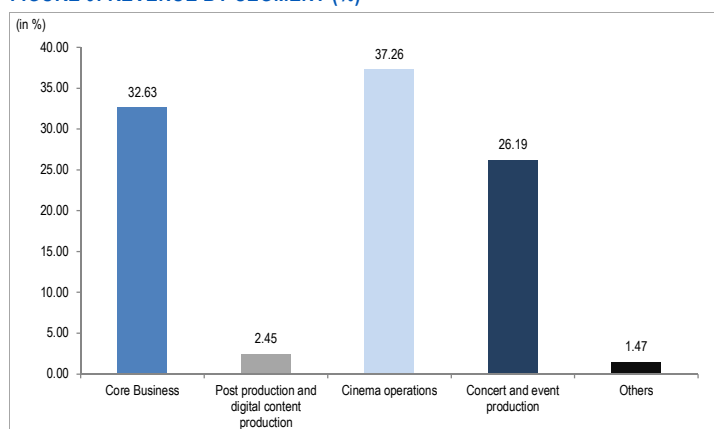
FIGURE 8: CORPORATE MILESTONES

Date	Milestones
2015	Acquired 51% stake in Vividthree Productions Acquired 2 cinemas' businesses and assets from Cathay Cineplexes
2016	Acquired 51% stake in UnUsUaL Pte Ltd (now known as UnUsUaL Limited) Recognised as Forbes Asia's 200 Best Under a Billion Acquired 3 cinema businesses and assets from Mega Cinemas Management
2017	Signing of co-production deal with Turner for 5 feature films in 3 years Listing of UnUsUaL Limited on SGX Acquired 13 cinema businesses and assets from Lotus Five Star Cinemas (M) Acquired 100% stake in Cathay Cineplexes
2018	Invested in 19% JV stake in Académie of Stars Listing of Vividthree Productions on SGX
2019	Announced plans to launch video streaming service – mPlay Asia
2020	Announced plans to launch on-demand streaming service – Cathay CineHOME

Source: mm2, UOB Kay Hian

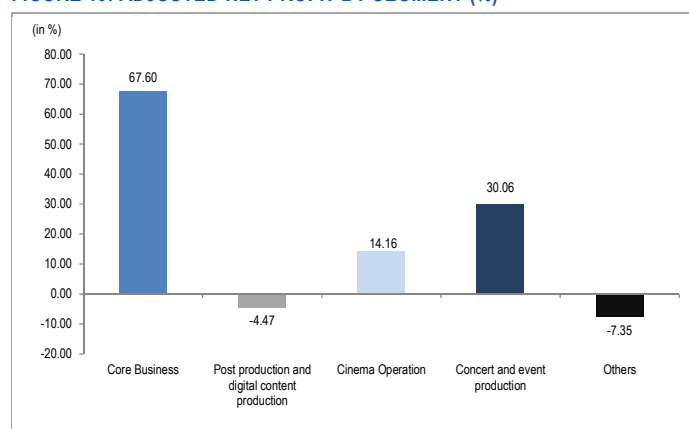
By revenue split, the group's cinema business segment made the highest contribution of 37% in FY20. This was followed by the film production segment (33%) and the concert and event production segment (26%), both of which are key profit generators on an adjusted net profit level.

FIGURE 9: REVENUE BY SEGMENT (%)



Source: mm2, UOB Kay Hian

FIGURE 10: ADJUSTED NET PROFIT BY SEGMENT (%)



Source: mm2, UOB Kay Hian

In the film production business, the group has an established track record, having produced over 100 films and distributed almost 200 films since 2008. Notable productions include the Ah Boys to Men films as well as More than Blue, the highest-grossing Taiwanese film of all time. The group caters to platform players, both broadcast networks and streaming service providers (OTT).

In the concert and event production business, the group was involved in 147 events/live concerts in FY20. Notable acts included sold-out concerts for Westlife, Andy Lau, JJ Lin and Eric Chou.

In the cinema business, the group has operations in Singapore (64 screens, 10,644 seats) and Malaysia (119 screens, 20,035 seats).

Industry Outlook

FILM/TV/ONLINE CONTENT PRODUCTION & DISTRIBUTION

Streaming and online content media have been on the rise in Singapore, as seen from the popularity of platforms such as Netflix. According to PwC, Singapore consumers are forecasted to spend almost twice as much on digital entertainment and media by 2023 (S\$1.9b), as compared with 2018 (S\$1.08b). For Over The Top (OTT) video in Singapore, revenue is expected to grow at an 18% CAGR from 2018-23 as users look for a more personalised experience with streaming platforms. This would put streaming platforms in good stead with steady demand for content on such platforms.

OTT video revenue in Singapore expected to grow at 18% CAGR over 2018-23

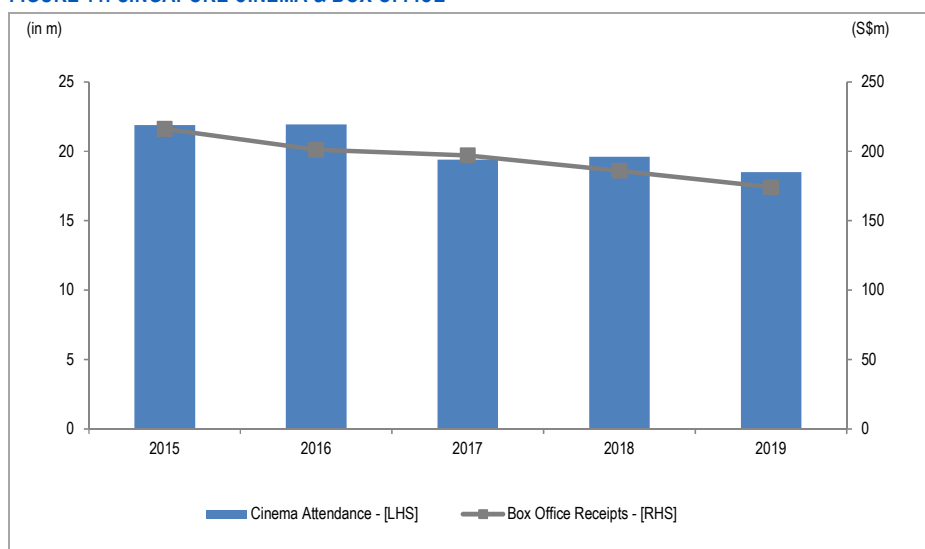
CONCERT AND EVENT PRODUCTION

Pre-pandemic, the concert production industry in Southeast Asia was on the rise with an increasing number of artistes' acts. According to Frost & Sullivan, the number of concerts in Southeast Asia increased at a CAGR of 5.4% from 2015-19. This was buoyed by the region's robust economic growth as well as potential ticket volumes which have attracted many Western artistes to include Southeast Asia in their global touring destinations. COVID-19 forced the cancellation and rescheduling of concerts in 2020, but concert productions are expected to pick up from 2021. The market size of the concert industry is expected to grow to US\$2.6b, at a 10.1% CAGR between 2019-24.

CINEMA OPERATIONS

Cinema operations in Singapore is a fairly mature industry, having an attendance growth rate of -3.3% CAGR from 2015-19. The sector has been affected by streaming platform providers such as Netflix and Disney+ which have captured part of the movie-viewing audience. Cinema box office has similarly dropped – at a rate of -4.2% CAGR from 2015-19 – as average ticket prices have also fallen. Furthermore, COVID-19 safe distancing measures have dampened cinema attendance with reduced seating capacity. However, looking forward to 2021, major Hollywood tent-pole movies are slated to be released. According to *The Straits Times*, these include Marvel's Black Widow, the new James Bond film No Time To Die and the thriller A Quiet Place 2.

FIGURE 11: SINGAPORE CINEMA & BOX OFFICE

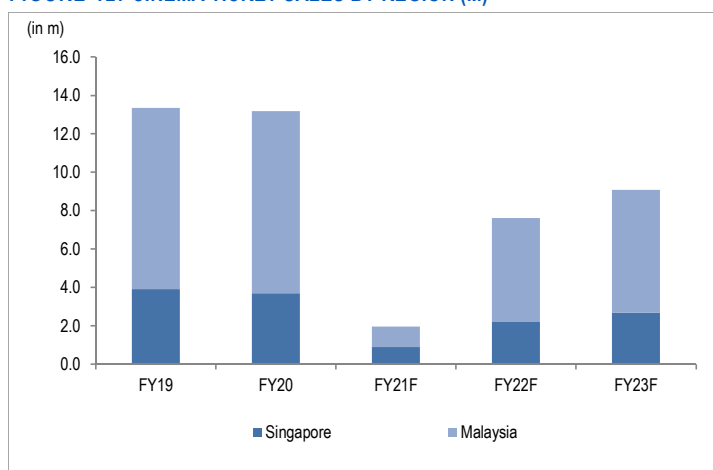


Source: Infocomm Media Development Authority

Financials

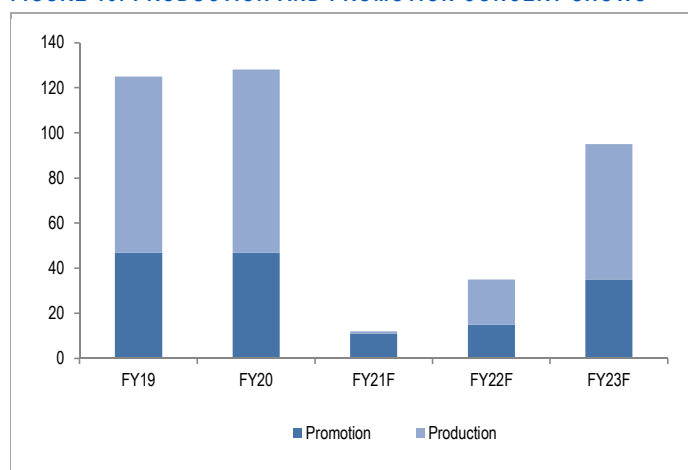
Revenue to grow at 89% CAGR between FY21-23F. We forecast revenue to grow at a 89% CAGR to S\$219m in FY23. This is expected to come from the resumption of concerts as well as increased cinema ticketing sales. Our assumptions for cinema ticket sales and number of concerts are presented in Figures 12 and 13. Conservatively, we have factored in cinema ticket sales in FY23 to be approximately 32% below FY19 levels, while concert shows are 25% below FY19 levels.

FIGURE 12: CINEMA TICKET SALES BY REGION (M)



Source: UOB Kay Hian

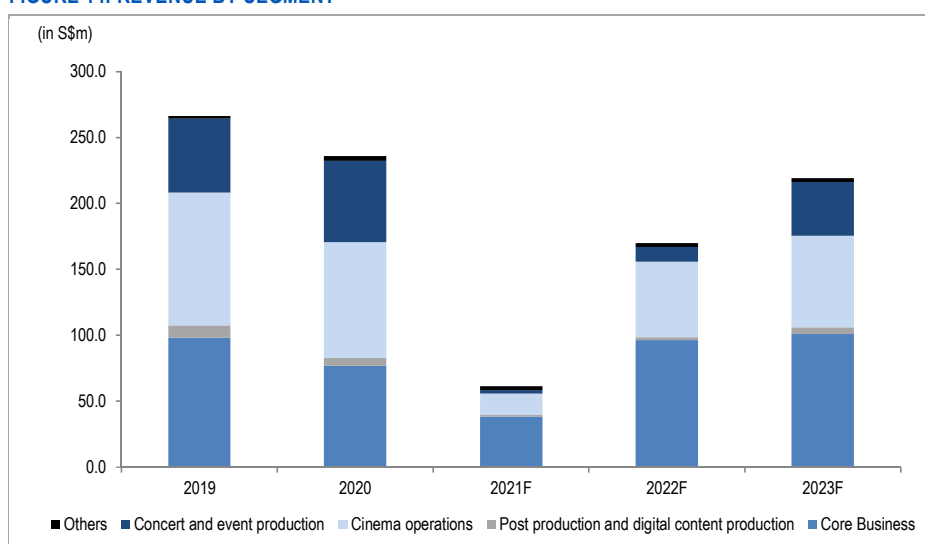
FIGURE 13: PRODUCTION AND PROMOTION CONCERT SHOWS



Source: UOB Kay Hian

We expect film production revenue to form a larger proportion of mm2's revenue, from 36% in FY19 to 46% in FY23. The backlog of productions, coupled with the exposure to OTT streaming customers, will ensure the segment's resiliency and growth.

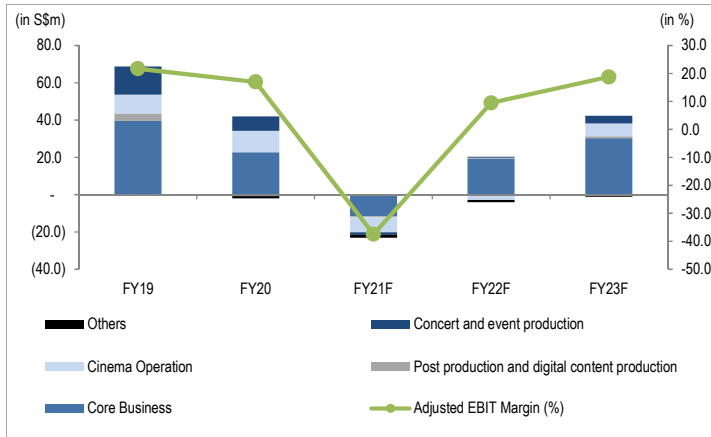
FIGURE 14: REVENUE BY SEGMENT



Source: UOB Kay Hian

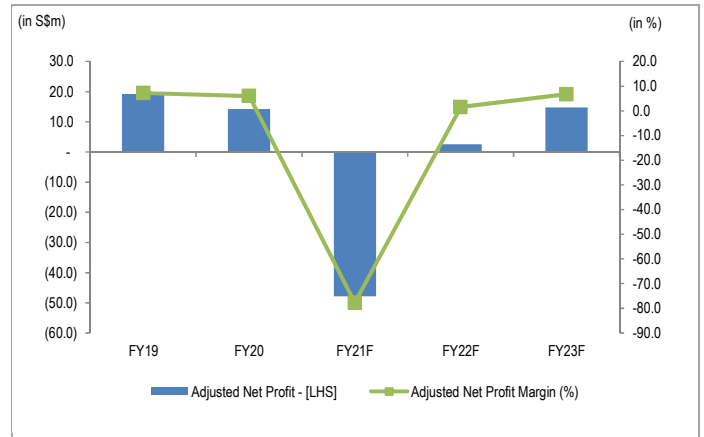
Thus, we expect EBIT margins to recover along with the film production segment's growth. With more shows and stronger ticket sales in the concert production and cinema segments respectively, we expect a recovery to operating breakeven in FY23. The cinema segment is also expected to boost advertising and ticket sales prices, which can aid margins.

FIGURE 15: ADJUSTED EBIT MARGIN (%) & SEGMENTAL EBIT (\$M)



Source: UOB Kay Hian

FIGURE 16: ADJUSTED NET PROFIT AND NET PROFIT MARGIN (%)



Source: UOB Kay Hian

We expect adjusted net profit CAGR growth of 1.2% from FY20-23. Adjusted net profit should normalise in FY23 with adjusted PATMI margins of approximately 6%.

FIGURE 17: PROFIT & LOSS

Year to 31 Mar(\$m)	2019	2020	2021F	2022F	2023F
Revenue, net	266	236	62	170	219
Operating expenses	(209)	(206)	(92)	(154)	(178)
EBIT	57	29	(30)	16	41
Associate contributions	0	(0)	(0)	(0)	(0)
Net interest income/(expense)	(18)	(19)	(18)	(13)	(13)
Pre-tax profit	40	10	(48)	3	28
Tax	(11)	(3)	(1)	(1)	(7)
Minorities	(10)	(3)	1	(0)	(6)
Net profit(rep./act.)	19	4	(48)	3	15
Net profit(adj.)	19	14	(48)	3	15
Deprec. & amort.	29	23	19	14	20
EBITDA	86	52	(12)	30	61
Per share data (\$ cent)					
EPS - diluted	1.6	1.2	(2.1)	0.1	0.6
Reported EPS - diluted	1.6	0.3	(2.1)	0.1	0.6
Book value per shares (BVPS)	18.4	18.7	9.7	12.1	12.8
Dividend per share (DPS)	0.0	0.0	0.0	0.0	0.0

Source: UOB Kay Hian

FIGURE 18: BALANCE SHEET

Year to 31 Mar (\$m)	2019	2020	2021F	2022F	2023F
Cash/Near cash equiv.	19	29	8	23	34
Accounts receivable/debtors	181	141	123	102	131
Stocks	21	22	3	3	3
Other current assets	67	66	85	85	85
Current assets	288	258	220	213	253
Fixed assets	36	113	110	108	106
Investments	3	3	3	3	3
Other financial assets	1	4	4	4	4
Intangible assets	333	337	332	315	297
Other non-current tangible assets	5	23	23	23	23
Total non-current assets	378	479	472	453	433
Total assets	666	737	691	665	687
Accounts payable/creditors	131	92	89	60	67
Short-term debt/borrowings	37	127	127	72	72
Other current liabilities	27	41	41	41	41
Current liabilities	196	260	256	173	180
Long-term debt	186	131	81	81	81
Deferred tax liability	7	6	6	6	6
Other non-current liabilities	11	67	67	67	67
Total non-current liabilities	204	204	154	154	154
Total liabilities	399	464	410	327	334
Minority interest - accumulated	52	56	56	56	56
Shareholders' equity	214	218	225	282	297
Liabilities and shareholders' funds	666	737	691	665	687

Source: UOB Kay Hian

FIGURE 19: CASH FLOW

Year to 31 Mar (S\$m)	2019	2020	2021F	2022F	2023F
Operating cashflows	14	34	22	57	54
Pre-tax profit	29	7	(48)	3	15
Tax	(10)	(9)	(1)	(1)	(7)
Deprec. & amort.	21	58	38	49	49
Associates	(0)	0	0	0	0
Working capital changes	(53)	(52)	14	(7)	(23)
Non-cash items	(0)	1	0	0	0
Others	27	29	19	14	20
Cash from investing activities	(238)	(29)	(30)	(30)	(30)
Capex (growth)	(265)	(26)	(30)	(30)	(30)
Investments	0	(3)	0	0	0
Proceeds from sale of assets	26	0	0	0	0
Others	0	0	0	0	0
Cash from financing activities	150	4	(13)	(13)	(13)
Dividend payments	(10)	0	0	0	0
Issue of shares	14	1	109	0	0
Proceeds from borrowings	288	57	0	0	0
Loan repayment	(134)	(25)	(50)	0	0
Others/interest paid	(8)	(29)	(72)	(13)	(13)
Net increase/(decrease) in cash	(74)	9	(21)	14	11
Beginning cash	92	20	29	8	23
Changes due to forex impact	(0)	0	0	0	0
End cash	19	29	8	23	34

Source: UOB Kay Hian

FIGURE 20: KEY METRICS

Year to 31 Mar (%)	2019	2020	2021F	2022F	2023F
Growth					
Turnover	38.6	(11.4)	(73.9)	176.3	28.8
EBITDA	63.2	(39.6)	(122.3)	n.a.	104.2
Pre-tax profit	8.8	(74.8)	(577.3)	n.a.	728.9
Net profit	(14.5)	(81.5)	(1,452.6)	n.a.	482.6
Net profit (adj.)	n.a.	(25.7)	(436.2)	n.a.	482.6
EPS	(14.5)	(25.7)	(268.1)	n.a.	482.6
Profitability					
EBITDA margin	32.5	22.2	(18.9)	17.6	27.9
EBIT margin	21.6	12.5	(49.2)	9.6	18.7
Gross margin	46.7	37.9	4.0	29.0	39.0
Pre-tax margin	15.0	4.3	(77.8)	2.0	12.8
Net margin	7.2	1.5	(77.7)	1.5	6.7
ROE	9.7	1.6	n.a.	1.0	5.1
ROA	3.1	0.5	n.a.	0.4	2.2
ROIC	10.8	5.0	(6.7)	3.6	6.3
RONTA	21.4	12.5	(3.1)	8.2	12.8
Leverage					
Interest cover (x)	4.9	2.7	(0.7)	2.3	4.7
Debt to total capital	45.5	48.5	42.5	31.2	30.3
Debt to equity	104.1	118.4	92.6	54.3	51.6
Net debt/(cash) to equity	95.5	104.9	88.8	46.3	40.2
Current ratio (x)	1.5	1.0	0.9	1.2	1.4

Source: UOB Kay Hian

Appendix I – Risk Factors

We see the following as the key risks, among others.

Delays and cost overruns. The production process is subject to many uncertainties that are out of the group's control, such as technical difficulties and cast/crew member replacements. All these may result in a production exceeding its budget or not being ready for release at the intended date.

Protecting and defending IP. Even though the group takes steps to protect IP rights through existing laws, existing copyright laws provide only limited practical protection in certain countries. It may be possible for unauthorised third parties to copy and distribute movies produced. Furthermore, taking steps such as litigation to enforce IP rights may result in substantial costs which could have a material impact on the business.

No guarantee of government grants and subsidies. If mm2 is unable to obtain sufficient funds to finance productions, it would have a materially adverse effect on its business, financial condition and results of operations.

Key personnel risk. Executive Chairman Melvin Ang's experience and regional networks in the entertainment industry make him extremely valuable to mm2. It would be difficult to replace him if he were to step down from his position.

Appendix II – Key Management

SELECTED DIRECTORS

Name	Position	Experience
Melvin Ang	Founder & Executive Chairman	* Mr Ang is responsible for supervising the overall business operations and management of the group, undertaking business planning, and providing executive leadership and supervision to the group's senior management team.
		* Between Jul 03 and Mar 07, he was employed as Managing Director of Mediacorp Studios. Before setting up mm2 Malaysia and mm2 Singapore in Jan 09, he served as Media Prima's Executive Advisor between Jul 07 and Dec 08.
		* Mr Ang graduated from Macquarie University with a Master of Business Administration in 1996.
Tan Liang Pheng	Lead Independent Director	* Mr Tan worked for 35 years in two multinational corporations, responsible for their accounting, treasury and financial functions. He later sat on the Board of Directors of Tetra Pak Group of Companies in Singapore. In 2009, Mr Tan was appointed General Manager of Iviria Pte Ltd and was subsequently promoted to Executive Director in 2010. He served as Executive Director of Iviria Pte Ltd until Nov 12.
		* Mr Tan was admitted as a Fellow member of the Association of Chartered Certified Accountants (UK) in 2003. He is a member of the Institute of Singapore Chartered Accountants.
Jack Chia	Independent Director	* Mr Chia has 20 years of experience in both the private and public sectors, substantially in Japan and China, with Arthur Andersen, Singapore Technologies, Government of Singapore Investment Corporation and the Enterprise Singapore Board.
		* Mr Chia graduated from the National University of Singapore with a degree in Accountancy and from the International University of Japan with a Master of Arts in International Relations. He is qualified as a Fellow of the Institute of Singapore Chartered Accountants and has also completed the General Manager Program at Harvard Business School.
Thomas Lei	Independent Director	* Mr Lei was admitted to the Singapore Bar in 1989 and has been in active practice ever since, primarily advising on commercial law and litigation matters. Mr Lei was a director of, and is currently a consultant with, Lawrence Chua Practice LLC, a law firm based in Singapore. Mr Lei started his career at Chor Pee & Co (later Chor Pee and Partners) and subsequently joined Engelin Teh & Partners in Apr 2000.
		* Mr Lei read law at the National University of Singapore where he obtained a LL.B. and is a member of the Law Society of Singapore.
Terry Mak	Non-Executive Director	* Mr Mak is the founder of Media Station which has been providing consultancy services to clients in the information, media and technology sectors since 2010. In 1991, he joined TVB International as Divisional Manager (Southeast Asia), and in 2001 was promoted to Assistant General Manager to oversee its worldwide content distribution business. After working at TVB for 14 years, Mr Mak left TVB in 2005, to work for Celestial Pictures as its Executive Vice President, where he was responsible for managing Celestial's film library and movie channel network. Mr Mak held the position of Chief Operating Officer at MyChinaChannel between 1 Jun 12 and 31 Jul 14.
		* Mr Mak graduated from Hong Kong Baptist University with a Bachelor of Science in Chemistry in 1979 and from University of Connecticut with an MBA in 1981.
Dennis Chia	Non-Executive Director	* Mr Chia is currently the Chief Financial Officer of StarHub. In his previous roles, he was Senior Vice President and Chief Financial Officer of STATS ChipPAC (Worldwide), a leading provider of advanced semiconductor packaging and test services; Vice President of Finance, Asia Pacific Operations (APO) of Lear Corporation; and Chief Financial Officer of Behringer Corporation and Frontline Technologies Corporation.
		* Mr Chia is a Chartered Accountant and currently a council member with the Institute of Singapore Chartered Accountants. He has a Bachelor's (Honours) degree in Accountancy from the National University of Singapore and also holds a Master's degree in Business Administration from University of Hull.

Source: mm2 Asia, UOB Kay Hian

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