UnUsUaL switches focus from China to the West, develops new revenue streams

BY **AMALA BALAKRISHNER**

Concert production company UnUsUaL spent the past two years convincing investors of its plans to expand in China, so as to tap a growing middle income population with ample disposable income and a taste for Western music. The results were passable at best. Last year, revenue contribution from China grew just 6% to $1.7 million. Now, the company has its eye on a different audience — the Chinese in Western countries.

Earlier this year, the company brought Mandopop artist J J Lin to Singapore, China, Hong Kong, Malaysia and Australia. "The two shows we did in Sydney and Melbourne were sold out," says Leslie Ong, who co-founded UnUsUaL and is now its executive director and CEO. A total of 13,000 people attended the Sydney concert while 11,000 attended the one in Melbourne. Ong thinks there will be a greater demand for Mandopop, Cantopop and K-pop music in markets such as Australia, New Zealand, Canada and the US.

"[I was shocked to hear from the people in San Francisco that] it was their first Chinese concert in the last five or six years because artistes don't really go there. They don't find it worthwhile flying 10 hours to do a show for one night," Ong says, referring to a recent concert he organised in the US city for Hong Kong artiste Gloria Tang. The performance was sold out.

There are more than half a million Chinese residing in major Western cities from Australia to the US, and many are affluent students who are likely to be the key audience for the type of shows Ong wants to promote. He makes it clear, however, that he does not want to compete in the major Western concert space headlined by the likes of Taylor Swift and Ariana Grande. Ong is targeting the growing East Asian diaspora in Western countries who desire home-grown, authentic music.That sounds very much like UnUsUaL's theme song. The concert producer has always sought out niche markets ignored by the big players. In Asia, it chose to produce small to mid-sized shows in second- and third-tier cities that are cheaper to promote and face less competition. It brought rock band Guns N' Roses to Jakarta this year and is set to bring pop group Westlife on tour later this year. UnUsUaL says the gross profit margin for such concerts is around 30%.

Its recent pivot to Western markets is new. After all, the company has made a big deal out of its substantial investment in China. From the $17.4 million raised in its 2017 IPO, it paid RMB25.2 million ($5.04 million) to acquire a major stake in its long-term Chinese partner, Beijing Wish, with a view to double its revenue by 2020.

Ong had previously said he wanted to organise between 30 and 50 shows a year on the mainland with Beijing Wish's help. It produced just 13 shows in China in FY2019.

Still growing

UnUsUaL listed on Catalist more than two years ago. Revenue rose 22.6% y-o-y to $56.9 million in FY2019 ended March this year as the company produced more shows. Earnings went up 31.7% to $13.2 million.

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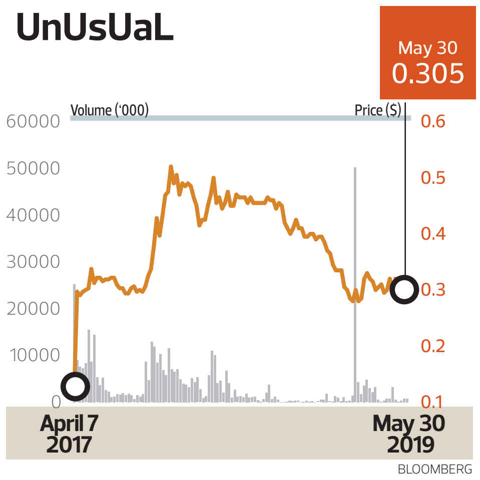
For now, Singapore still makes up the largest share of revenue, accounting for nearly half of all revenue at $27.8 million. Malaysia contributed 14.3%, Hong Kong 15.6% and other regions, the remaining 21.3%. This is a change from FY2018 when other regions brought in only 6.3% of total revenue. UnUsUaL no longer reports its revenue contribution from China separately; instead, the contribution is now consolidated under other regions. *The Edge Singapore* understands that growth in China has been consistent over the past two years. Revenue from the country accounted for 4% of total revenue in FY2018.

As UnUsUaL stages more shows, costs have risen as well. Cost of sales was up nearly 19% y-o-y in FY2019 to $34 million. Net cash used in operating activities increased nearly 58% from $2.6 million in FY2018 to $6.1 million in FY2019. This is attributed to the larger number of concerts



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held — the company has to pay out a substantial amount first to secure the venue and for promotions and advertising. Earnings are held up in the box office and take about six to nine months to be realised.

Year to date, UnUsUaL's shares remain unchanged, closing at 30.5 cents on May 30. At this level, the shares are trading at a historical price-to-earnings ratio of 31.13 times, valuing the company at $313.9 million.

More revenue streams

After 22 years in the production and concert industry, UnUsUaL is now developing new revenue streams. It produces family entertainment shows and even owns the right to an American production. The company wants to double down on both avenues and has projects lined up until 2022.

In August, UnUsUaL will run 20 shows of Disney's *Frozen* in an arena that seats 4,000 in Korea. Ong says 30% of the tickets were sold during the pre-sales period. Back home, the company will be producing *Walking with Dinosaurs,* a live experience based on the famous BBC documentary, in September. Eighteen shows will be held over two weeks. *Walking with Dinosaurs* is produced in partnership with Sliding Door Entertainment, a subsidiary of **Singapore Press Holdings**, and there will be 117 shows in 11 cities.

While UnUsUaL expects a lower gross profit margin of 25% for such productions compared with 30% from concerts, Ong says family entertainment will always be in demand. A report released by JPMorgan last August states that this segment is

UnUsUaL's financials

($ MIL)	FY2019	FY2018	% CHANGE
Revenue	56.9	46.4	22.6
Net profit	13.2	10.1	31.7
EPS (cents)	1.28	0.98	–

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expected to grow as family entertainment shows can run seven to eight times a week, while concerts only last a couple of nights. This can help UnUsUaL bolster its earnings.

The company is on the lookout to own more shows. It has a joint venture with Nick Grace Management to produce *Apollo*, which tells the story of the space shuttle's landing on the moon in 1969. UnUsUaL invested US$13.5 million ($18.6 million) in the project, which will embark on a three-year tour starting with North America in July. It may kick off an Asian tour in 2020 if the response is good, Ong says.

Ong hopes to enter into more such deals where the company owns the IP rights to the shows, as this opens up other revenue opportunities. "We buy the show and then we become the promoter. We actually own 60% of the brand. So, for the full five years or so when they resell it, we get a 60% cut."

With net cash inflows of $3.7 million and secured debt of $4 million, entering into more of such ventures may be tough, however. It will become more feasible with a higher inflow of cash.

The concert producer will also be turning into a landlord. UnUsUaL used to own a space at Singapore Expo that it has since given up. It then acquired a space at Malaysia International Trade and Exhibition Centre in Kuala Lumpur, which has a seating capacity of 6,000. Ong says it took the step as costs are lower and there is a greater shortage of venues in the Malaysian city.

Last month, UnUsUaL leased a space at Kallang Theatre at a monthly rent of $30,000. Ong believes this will boost its coffers, given the number of activities held there every day. "On weekdays, they have property and insurance seminars and graduations. On weekends, they may have smaller productions," he says.

While UnUsUaL has consistently grown since its listing, Ong says the company has its challenges in the form of economic and currency fluctuations. These affect its overall earnings, as there is a gap between the time the customer pays for the ticket and the time the company receives payment. He is managing this by factoring in a fluctuation of about 5% per ticket. Most of the shows are also insured.

Analysts covering the stock are generally positive about its performance. It was one of RHB Bank's top picks this year among small and medium-cap stocks. Analyst Jarick Seet says the company had "quite a good set of results" for FY2019 and expects its top and bottom line growth to be 20% to 30% per annum in the next two to three years. He is optimistic about UnUsUaL's prospects, given acquisition opportunities in the pipeline. He does, however, warn of possible poor demand for shows and the inability to secure new shows, which would jeopardise the company's momentum. E