

mm2 Asia (MM2 SP) : BUY

Mkt. Cap: US\$351m | 3m Avg. Daily Val: US\$1.1m

Last Traded Price (10 Jan 2017): S\$0.49

Price Target 12-mth: S\$0.56 (14% upside)

Analyst

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Company Guide

[mm2 Asia](#)



Summary of our point of view, and highlights the relevant data points, which are actively tracked

New Group CEO appointed to boost management team

- **New Group CEO Mr Chang Long Jong is a veteran in the media industry**
- **Mr Melvin Ang to focus on North Asia, a key growth area for mm2 Asia**
- **Reiterate BUY call with TP of S\$0.56**

What's New

New Group CEO appointed

mm2 Asia announced the appointment of Mr Chang Long Jong as its new Group Chief Executive Officer with effect from 3 April 2017.

As the CEO of the company, Mr Chang will be responsible for overseeing and managing the business operations, especially the production division as well as sourcing new business opportunities for the group. Prior to Mr Chang joining the company, Mr Melvin Ang Wee Chye will continue to be the CEO until Mr Chang's appointment takes effect.

Mr Chang Long Jong is a veteran in the media industry

Mr Chang is currently the Deputy CEO and Chief Customer Officer of Mediacorp Pte Ltd. He oversees all of Mediacorp's major media assets including TV, Radio, Newspaper, Magazines and Over-the-Top (OTT) service Toggle. In his 30-year career since joining Singapore Broadcasting Corporation in 1985, Mr Chang has gathered experience in channel management, content development and production, content licensing and distribution, media business development and talent management. He also leads Mediacorp's events business, Vizpro and Mediacorp's media training business, Singapore Media Academy.

Mr Melvin Ang to focus on North Asia, a key growth area for mm2 Asia

With Mr Chang coming on board, Mr Melvin Ang, who is currently the Executive Chairman, CEO and Executive Director, would be able to focus his attention on the burgeoning North-Asia market, which is crucial for mm2's next phase of growth. In terms of its core production

Forecasts and Valuation

FY Mar (S\$m)	2016A	2017F	2018F	2019F
Revenue	38.3	99.2	143	174
EBITDA	19.4	31.6	41.7	47.9
Pre-tax Profit	9.99	22.2	29.9	36.2
Net Profit	8.90	18.4	24.9	30.0
Net Pft (Pre Ex.)	8.90	18.4	24.9	30.0
Net Pft Gth (Pre-ex) (%)	73.4	107.1	34.9	20.8
EPS (S cts)	0.98	1.76	2.37	2.86
EPS Pre Ex. (S cts)	0.98	1.76	2.37	2.86
EPS Gth Pre Ex (%)	59	79	35	21
Diluted EPS (S cts)	0.98	1.76	2.37	2.86
Net DPS (S cts)	0.0	0.0	0.0	0.0
BV Per Share (S cts)	4.00	6.93	9.31	12.2
PE (X)	49.8	27.9	20.7	17.1
PE Pre Ex. (X)	49.8	27.9	20.7	17.1
P/Cash Flow (X)	nm	32.8	21.9	15.7
EV/EBITDA (X)	22.8	15.7	12.5	10.6
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	12.2	7.1	5.3	4.0
Net Debt/Equity (X)	CASH	CASH	0.1	CASH
ROAE (%)	32.1	33.8	29.2	26.7

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

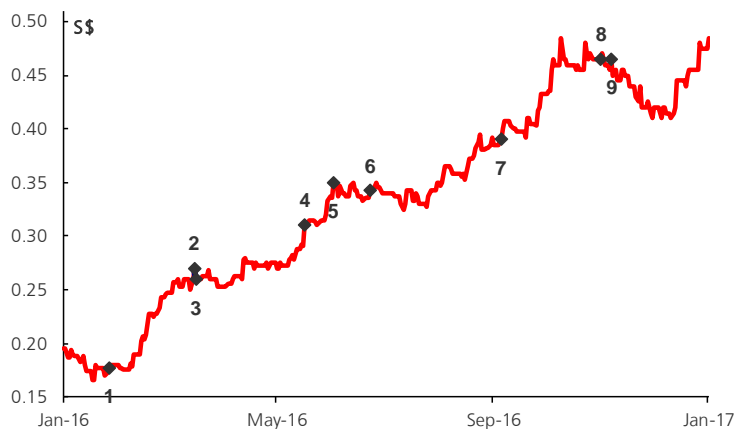
Flash Note

business, we expect North Asia, including China, Hong Kong and Taiwan, to contribute >70% of core revenue from FY17F, up from 23% in FY16. Growth opportunities in North Asia, especially China, are abundant. Furthermore, given the much bigger budget in China, it is more attractive to produce more films in China than in Singapore and

Malaysia. A typical production in China costs about RMB30m-50m, versus S\$1m-3m in Singapore and RM1m-3m in Malaysia. However, the duration of each production is quite similar across the region.

We reiterate our BUY call on mm2 Asia with TP of S\$0.56.

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

Source: DBS Bank

Analyst: Lee Keng LING

DBS Bank recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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