

# Singapore Company Guide

## mm2 Asia

Version 11 | Bloomberg: MM2 SP | Reuters: MM2A.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

19 Jul 2017

### BUY

Last Traded Price ( 18 Jul 2017): S\$0.545 (STI : 3,306.08)  
Price Target 12-mth: S\$0.75 (38% upside) (Prev S\$0.70)

#### Analyst

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#### What's New

- Acquiring 50% stake in Golden Village Singapore for S\$184.3m, implying valuation of 10.5x EBITDA
- Better bargaining power; complements Malaysia cinema operations
- Stable cash business; source of recurring income and potential for cost savings
- Adjust earnings to account for acquisition and expect margin improvement; TP raised to S\$0.75

#### Price Relative



#### Forecasts and Valuation

FY Mar (S\$ m)	2016A	2017A	2018F	2019F
Revenue	38.3	95.4	183	248
EBITDA	19.4	41.4	61.1	76.7
Pre-tax Profit	9.99	25.9	41.3	58.8
Net Profit	8.18	18.8	29.3	43.0
Net Pft (Pre Ex.)	8.18	18.8	29.3	43.0
Net Pft Gth (Pre-ex) (%)	59.4	130.1	55.9	46.7
EPS (S cts)	0.90	1.80	2.52	3.70
EPS Pre Ex. (S cts)	0.90	1.80	2.52	3.70
EPS Gth Pre Ex (%)	46	98	41	47
Diluted EPS (S cts)	0.90	1.80	2.52	3.70
Net DPS (S cts)	0.0	0.0	0.0	0.0
BV Per Share (S cts)	4.00	8.25	15.5	19.3
PE (X)	60.2	30.3	21.6	14.7
PE Pre Ex. (X)	60.2	30.3	21.6	14.7
P/Cash Flow (X)	nm	93.3	15.4	13.2
EV/EBITDA (X)	25.4	13.7	12.4	9.6
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	13.6	6.6	3.5	2.8
Net Debt/Equity (X)	CASH	CASH	0.6	0.3
ROAE (%)	29.5	30.7	22.0	21.3
Earnings Rev (%):			31	55
Consensus EPS (S cts):			2.8	3.5
Other Broker Recs:		B: 2	S: 0	H: 0

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

### Setting the stage for sustainable growth

**Raised target price to S\$0.75 after accounting for Golden Village acquisition and expected margin improvement.** mm2 will be the number one cinema operator in Singapore, upon completion of the proposed acquisition of Golden Village cinema chain, expected to be completed by end-July 2017. This acquisition will complement its current cinema operations in Malaysia, and further cement mm2's status as the leader in the media/entertainment industry. With a much bigger and stronger scale, mm2 can now enjoy the synergistic benefits from the entire value chain.

**Growth supported by core business and UnUsUal; cinemas to build recurring income.** We continue to project mm2's EPS to grow at a CAGR of 75% from FY16-FY19, underpinned by growth in productions, expansion into the China market, and contribution from UnUsUal. The cinema arm, on the other hand, helps the group build a recurring income base.

**Where we differ: Higher valuation peg vs consensus.** We value the production business at 28x PE, in line with peers listed in Asia, vs consensus' valuation of about 25x. For UnUsUal, we value it at current valuation. For the cinema segment, we use 21x PE valuation peg.

**Potential Catalyst: Reaping fruits of success in North Asia.** We expect North Asia to contribute >70% of production revenue from FY18F, up from 36% in FY16 and 56% in FY17. Upside to earnings could come from more projects, especially in China where the market is bigger and budgets are much higher.

**Valuation: Maintain BUY with a higher TP of S\$0.75 based on SOTP valuation.** With a much bigger and stronger group as a whole, our target price based on sum-of-parts is now S\$0.75, up from S\$0.70 previously. Maintain BUY.

#### Key Risks to Our View:

**No long-term financing arrangements for productions.** The commencement of each production is dependent on mm2's ability to secure funding.

**Availability of good scripts.** Lack of good scripts for production may lead to less support from stakeholders.

#### At A Glance

Issued Capital (m shrs)	1,136
Mkt. Cap (S\$m/US\$m)	619 / 453
Major Shareholders (%)	
Wee Chye Ang	40.8
Yeo Khee Seng	8.3
StarHub Ltd	7.7
Free Float (%)	43.2
3m Avg. Daily Val (US\$m)	2.0

ICB Industry : Consumer Services / Media

**WHAT'S NEW****Building a platform for sustainable growth**

**Acquiring 50% stake in Golden Village Singapore.** mm2 Asia is proposing to acquire a 50% stake in Golden Village's (GV) cinema business in Singapore for about S\$184.3m or 10.5x the aggregate earnings before interest, taxes, depreciation and amortisation (EBITDA) for the period ended 31 December 2016, slightly higher than the 8-9x EBITDA paid for the cinemas in Malaysia.

**Funding secured.** The proposed acquisition, expected to be completed by end July 2017, will be funded by a combination of debts, as well as proceeds from the recent fund-raising exercises. So far, mm2 has raised about S\$65m via placement of new shares at S\$0.57 per share; with S\$15m from StarHub and another S\$50m from other investors. mm2 also proposed to issue up to S\$93.04m convertible debt at 2% interest per annum to fund this acquisition. The debt can be converted into shares in a planned IPO of the cinema business within two to three years. The balance will be financed via bank borrowings.

**Seller of GV cinema.** The seller of the GV cinema, Village Cinema Australia, is a wholly-owned subsidiary of Village Roadshow Limited, a company listed on the Australian Securities Exchange. Based on the latest publicly available financial statements for the financial year ended 31 December 2015, the GV cinema business reported a net profit of S\$25.1m. The aggregate net tangible asset (NTA) value was S\$33.9m. Village Roadshow has been reviewing its assets for possible sale in a bid to reduce its soaring debt levels.

**Rationale for acquisition of cinema****1) Strengthening downstream value chain of film distribution; cost savings for the group**

The proposed acquisition of the GV cinema would further strengthen mm2's presence in the downstream value chain of film distribution. It would also enable mm2 to have better bargaining power, and complement its Malaysian cinema operations. As the market leader, mm2 would now have better bargaining power in terms of securing distribution titles and screening rights. This will also complement its current cinema operations in Malaysia. With a stronger footprint in the entire value chain, from creation of content to the distribution of content, mm2 would be able to enjoy synergistic effect from the entire value chain.

**2) Stable and cash business.** Cinema operation is a relatively stable business with a 10-year CAGR of 3.5% for cinema attendances and box office receipts on an 8-year basis. For Malaysia cinemas, the growth rate is higher, at 10% and 14.6% for attendances and box office receipts respectively. Cash is collected upfront, and about 50% of the box office receipt goes to the movie producer.

**3) Source of recurring income.** Cinema is a long-term investment, with payback period of about four to eight years, depending on location, while depreciation is usually on a 10-year basis. Cinema operation is usually operated on a 24/7 basis, with no wastage of resources, unlike the production of movies, which could be affected by weather conditions. Furthermore, going forward, cinemas can also be a crowd puller for malls, to counter the proliferation of online shopping.

**To be Number One in both Singapore and Malaysia**

Upon completion of the GV acquisition, mm2 will be the number one player in the Singapore cinema scene. In Malaysia, mm2 is ranked fourth.

**Golden Village is top cinema in Singapore with 39% market share.**

GV is Singapore's leading cinema exhibitor with 11 multiplexes housing 92 screens with locations in various parts of Singapore. Total capacity is 1,390 seats, consisting of eight auditoriums and three Gold Class cinemas. Other cinema operators in Singapore include Shaw, Cathay, Filmgarde and WE cinema by Eng Wah. Shaw has about eight cinemas, Cathay seven, Filmgarde two and WE, one. In terms of number of screens and seating capacity, GV has a market share of about 39%.

We expect another two to three GV cinemas to come on stream within the next two to three years, which will further cement mm2's top position in the industry.

**Major Singapore Exhibitors for 2016**

Exhibitor	No. of Screens	Seating Capacity
Golden Village	91 (26 are 3D) (excluding Capitol)	14,720 (excluding Capitol)
Shaw	60 (3 IMAX, 24 are 3D)	9,684
Cathay	60 (26 are 3D)	10,766
Eng Wah (WE Cinema)	10 (2 are 3D)	746
Filmgarde	14 (3 are 3D)	2,205
<b>TOTAL</b>	<b>235</b>	<b>38,121</b>

Source: Infocomm Media Development Authority

**Ranked fourth in Malaysia.** The top three players in Malaysia – MBO Cinemas, with about 34 locations, Golden Screen Cinema (GSC) (33 locations) and TGV Cinemas (32 locations) account for about two-thirds of the market share. mm2 will be the number one player in Malaysia if it can acquire either one of the chains. GSC was reportedly put up for sale by its owner the Robert Kuok-controlled PPB Group, with asking price of about US\$500m.

**Major Malaysia Exhibitors for 2016**

Exhibitor	No. of locations	No. of Screens	Seating Capacity
GSC	34	318	>50,000
TGV	32	235	>45,000
MBO	27	207	>30,000
mm2	13	117	>20,000
Others*	34	130	>20,000

\*estimate

Source: Corporate websites, DBS Bank

**Earnings and Recommendation**

**Adjust earnings to account for GV acquisition and expected margin improvement.** We have revised our forecasts to take into account the acquisition of the Golden Village cinema chain in Singapore, and also assuming a slight improvement in gross margins for the production business to 45% from 40% previously, which is still below the 48% gross margins achieved in FY17. We have assumed a 65:35 debt-to-equity financing for the GV acquisition, at interest cost of 2% for the convertible debt and 5% for bank borrowings. Net gearing for FY18F is thus increased to 0.6x, from net cash in FY17.

Overall, we have raised FY18F earnings by 31%, mainly attributed to the 8-month contribution for GV cinema while FY19F earnings were lifted by 55%, after accounting for the full contribution from Lotus and GV cinemas. With a much bigger and stronger group as a whole, our target price based on sum-of-parts is now S\$0.75 based on the enlarged share capital, up from S\$0.70 previously. Maintain BUY. The in-principle approval by the SGX for the transfer of listing of mm2 from the Catalist Board to the Mainboard should help the group to build up its investor base.

**Sum of parts valuation**

Segment	Stake	Valuation (\$m)	Assumption
Content	100%	515.7	Based on 28x PE, in line with peers
Cinema	100%	119.2	Based on 21x PE, in line with peers
Vividthree	51%	35.7	Based on 28x PE, in line with peers
UnUsUal	41.91%	136.2	Based on current valuation
<b>Total value</b>		<b>806.7</b>	
Number of shares		1,074.1	
<b>Value per share (\$)</b>		<b>0.75</b>	

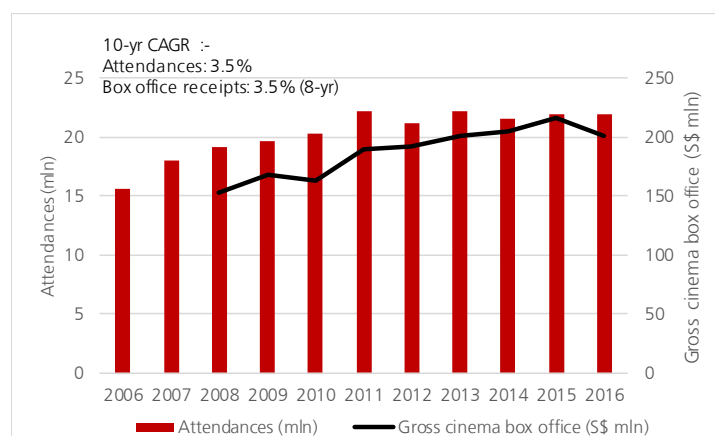
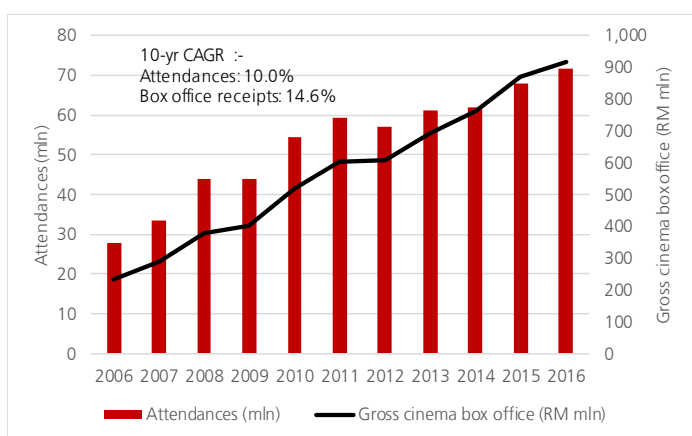
Source: DBS Bank, Bloomberg Finance L.P.

**Comparison between Malaysia and Singapore cinemas**

Criteria	Malaysia	Singapore
Utilisation	Below 30%	30 to 40%
EBITDA margin	Mid to high teens	20+%
Net margin	High single digit (exclude borrowing cost)	Mid teens (exclude borrowing cost)
Payback period	8 years	About 5 years
Depreciation policy	10 years	10 years
Cinema attendance	10-yr CAGR: 10.0%	10-yr CAGR: 3.5%
Box office receipts	10-yr CAGR: 14.6%	8-yr CAGR: 3.5%

**Malaysia - Cinema attendances vs box office receipts**

**Singapore - Cinema attendances vs box office receipts**



Source: National Film Development Corporation Malaysia (FINAS)

Source: Infocomm Media Development Authority

**Cinema acquisition to date**

Announcement Date	Acquisition	Price per screen	Profit target	Purchase price	Funding	Completion Date
30 Apr 15	2 Cathay cinemas - 46 screens, 5,298 seats	RM1.33m	nil	RM40m	RM20m shares + RM20m loan	November 2015
20 Aug 15	3 Mega cinemas - 13 screens, 2712 seats	RM1.69m	Yr 1: RM1.7m Yr 2: RM1.7m	RM22m	RM17m shares + RM5m loan	July 2016
8 Nov 16	13 cinemas from Lotus - 90 screens, 15,818 seats	RM1.31m	EBITDA of RM10m to RM12.5m per yr from Apr 17 to Mar 19	RM118m*	Bank borrowings and internal cash	September 2016 (estimate)
13 Jun 17	50% stake in Golden Village cinema business	S\$2.03m	nil	S\$184.3m	Bank borrowings, share placements and internal cash	21 July 2017 (expected)

\* Assume target of RM 10m to RM12.5m EBITDA is met

Source: Company; DBS Bank

## Details of cinemas acquired

S/N	Cinema	Place	Capacity
<b>Malaysia</b>			
1	Cathay Cineplex City Square	Johor Bahru	10 screens, 2,230 seats
2	Cathay Cineplex Damansara	Damansara	12 screens, 1,968 seats
1	Mega Cineplex Prai	Penang	4 screens, 1,467 seats
2	Mega Cineplex Langkawi	Langkawi	3 screens 535 seats
3	Mega Cineplex Bertam	Bertam	4 screens 756 seats
1	LFS 1 Plaza, Kuala Selangor	Selangor	5 screens, 733 seats
2	LFS Seri Iskandar	Perak	7 screens, 1,349 seats
3	LFS 1 Segamat	Johor	8 screens, 1,703 seats
4	LFS Prangin Mall	Penang	8 screens, 1,490 seats
5	LFS Bahau	Negeri Sembilan	6 screens, 1,036 seats
6	LFS Shaw Centre, Point Klang	Selangor	4 screens, 875 seats
7	LFS Riverside, Kuching	Sarawak	4 screens, 585 seats
8	LFS IOI Kulai	Johor	6 screens, 920 seats
9	LFS Kerian Sentral Mall	Perak	8 screens, 1,183 seats
10	LFS Summer Mall	Sarawak	12 screens, 2,038 seats
11	LFS Mahkota Parade	Malacca	4 screens, 645 seats
12	LFS Bukit Jambul	Penang	6 screens, 1,167 seats
13	LFS Kampar	Perak	6 screens, 846 seats
	<b>TOTAL</b>		<b>117 screens, 21,526 seats</b>
<b>Singapore</b>			
	Cinema	Year established	Capacity
1	GV Tiong Bahru	1994	5 screens
2	GV Suntec City	2014	11 screens
3	GV VivoCity	2006	15 screens
4	GV Plaza	1998	10 screens
5	GV Tampines	1996	8 screens
6	GV Jurong Point	1995	6 screens
7	GV Bishan	1993	6 screens
8	GV City Square	2012	6 screens
9	GV Grand, Great World City	1999	6 screens
10	GV Katong	2011	8 screens
11	GV Yishun	1992	10 screens
	<b>TOTAL</b>		<b>91 screens</b>

Source: Company; DBS Bank

**CRITICAL DATA POINTS TO WATCH**

**Critical Factors**

**Synergistic acquisitions**

mm2 has made several acquisitions to maintain its competitive advantage and to build synergies across the whole value chain. For content creation, mm2 has entered into agreements with Turner Asia Pacific, a global media conglomerate, and Pinewood Iskandar Malaysia Studios and Rhizophora Ventures in Malaysia to co-produce films. It has also acquired a 51% stake in Vividthree, a computer graphic studio.

For the platform business, mm2 is the number four player in Malaysia, and owns a total of 18 cinemas with a market share of about 14% in terms of number of screens. In Singapore, the completion of the Golden Village cinema acquisition with 11 multiplexes housing 91 screens would propel the group to be the top player.

Other than cinemas, mm2 has acquired a 30% stake in RINGS.TV, a leading interactive live streaming broadcast platform, to beef up its OTT (over-the-top) platform. mm2 also owns a 42% stake in UnUsUal Ltd, a market leader in large-scale live events and concerts

**Healthy production pipeline**

The number of production titles has increased steadily over the last few years; from six productions in FY March 2014, to about 18 in FY March 2017. mm2 has a robust production pipeline of 35 production titles for the next 18 months, from April 2017 to September 2018. Out of these, 23 titles or 62% are from North Asia. In terms of production budget, North Asia accounts for almost 80% of the total budget.

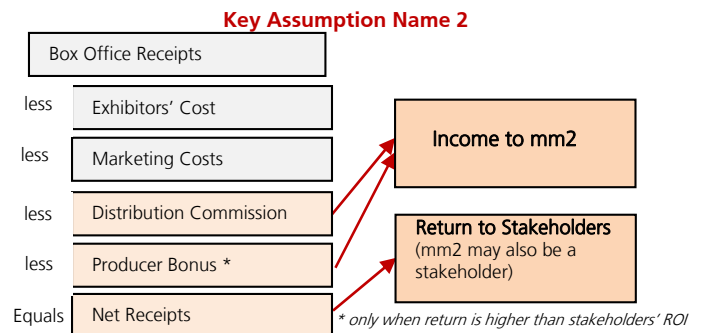
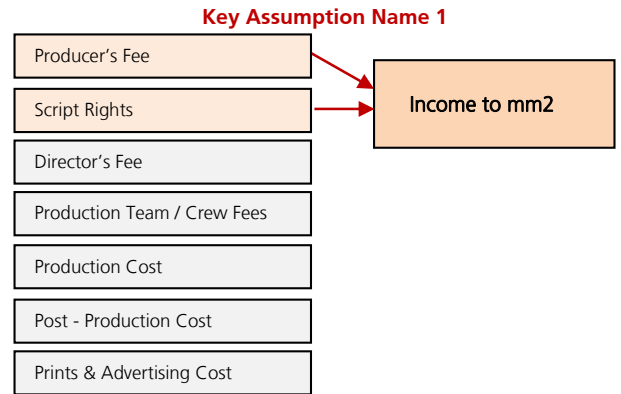
**Expansion in North Asia**

We expect North Asia to contribute >70% of production revenue from FY18F, up from 36% in FY16 and 56% in FY17. mm2 has a unique presence in all the Chinese markets, including Singapore, Malaysia, Hong Kong, Taiwan and China. This presents ample cross-border collaboration opportunities. One example is the remaking of existing successful titles in China, with the adaptation of local settings, which would be more appealing to the locals there. mm2 is also looking to expand to non-Chinese speaking markets like Korea, Japan, Thailand, India and the US.

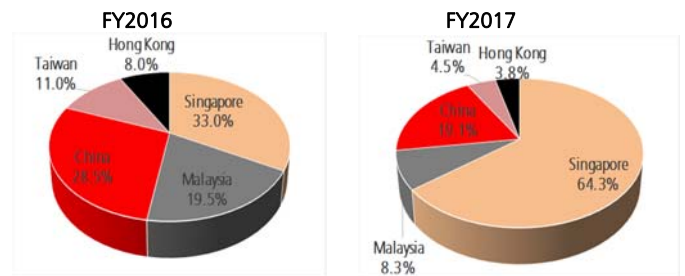
UnUsUal is also leveraging on mm2's network of contacts in the media and entertainment industry to expand into North Asia.

**Digital age shift – content is king**

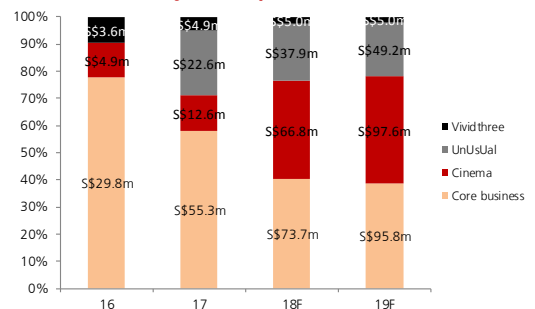
The evolution of the media industry, from traditional media (TV, radio, newspaper) to digital media leads to increasing opportunities for mm2, which is strong in content creation and platform business.



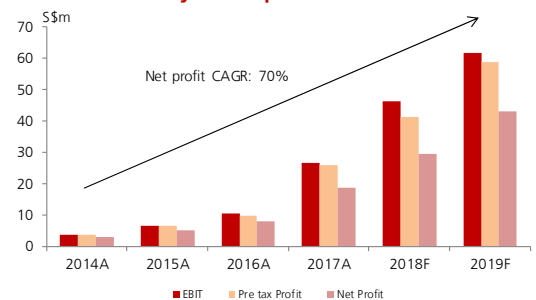
**Core business – geographical breakdown**



**Key Assumption Name 3**

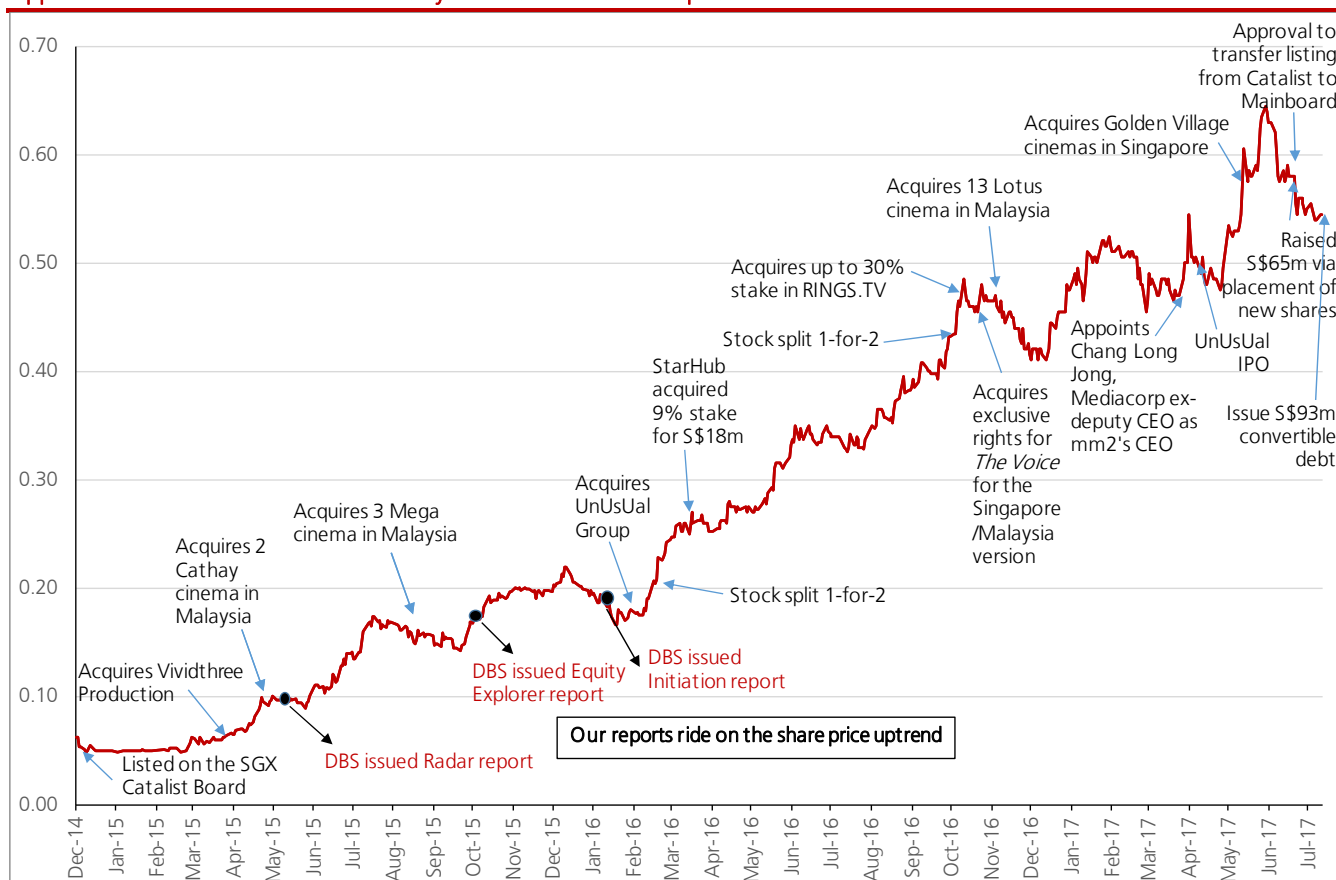


**Key Assumption Name 5**



Source: Company, DBS Bank

Appendix 1: A look at mm2's listed history – what drives its share price?



Source: DBS Bank, Bloomberg Finance L.P



**Balance Sheet:**

**Net gearing position in FY18F.** mm2 was in a net cash position as at March 2017. But it will slip into a net gearing position, as we assume 80% debt funding for the proposed acquisition of the GV cinemas. The group’s multiple platform capabilities should place it in a position to better distribute and exhibit content to reach a wider audience.

**Share Price Drivers:**

**Cost savings and efficiency from horizontal integration.** The full integration of the content business (production of movies, Vividthree) and platform business (Cinema, UnUsUal) would lead to better efficiency and cost savings for the group. For example, the ownership of cinemas not only provides a source of recurring income to the group but also cost savings as mm2 usually has to pay about 50% of its gross box office proceeds for rental of cinemas. Cinema operation is a profitable business, and may even be profitable with less than 30% of the seats occupied. Mm2’s multiple platform capabilities would place the group in a position to better distribute and exhibit content to reach a wider audience.

**Bigger production budget = higher growth**

As mm2 adopts a fee-based model, its revenue is directly correlated to the size of the production budget. We expect North Asia, especially China, to contribute >70% of production revenue from FY18F, up from 36% in FY16 and 56% in FY17. The budget for China tends to be much bigger, about S\$10m on average per production, vs average of S\$1m to S\$2m for Singapore and Malaysia projects, and S\$3m for Hong Kong and Taiwan productions.

**Key Risks:**

**No long-term financing arrangements for productions.** The commencement of each production is dependent on mm2’s ability to secure funding.

**Availability of good scripts.** Lack of good scripts for production may lead to less support from stakeholders.

**Unable to predict the commercial success of movies produced.** The commercial success of its productions is primarily determined by inherently unpredictable audience reactions.

**Company Background**

mm2 Asia is a leading producer of films and TV/online content in Asia. As a producer, mm2 provides services over the entire film-making process – from financing and production to marketing and distribution, and thus has diversified revenue streams. mm2 also owns entertainment company, UnUsUal, and cinemas in Malaysia.

**Number of Titles (Production & Distribution)**

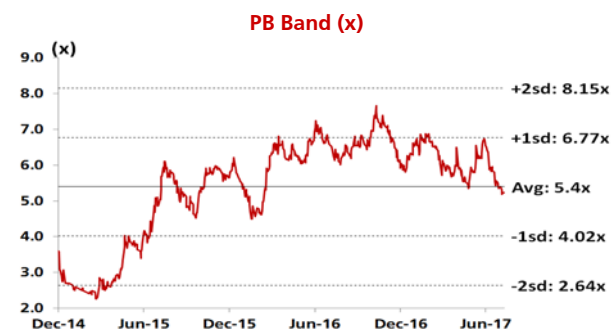
Year	Number of Titles (Production)	Number of Titles (Distribution)
FY Mar 2012	3	2
FY Mar 2013	6	8
FY Mar 2014	6	18
FY Mar 2015	9	26
FY Mar 2016	14	24
FY Mar 2017	18	26
Apr 17 to Sep 18*	35	

\* projection

**UnUsUal: Number of Events (Production & Concert Promotion)**

Year	Number of Events (Production)	Number of Concerts (Promotion)
FY Dec 2013	68	12
FY Dec 2014	46	9
FY Dec 2015	51	10
FY Mar 2017	64	19

Name of cinemas	Cinemas acquired	
	Number of cinemas	Number of screens
<b>Malaysia</b>		
Cathay	2	22
Mega Cineplex	3	11
Lotus	13	84
<b>Total Malaysia</b>	<b>18</b>	<b>127</b>
<b>Singapore</b>		
Golden Village	11	91
<b>Total Singapore</b>	<b>11</b>	<b>91</b>



Source: Company, DBS Bank



**Segmental Breakdown**

FY Mar	2015A	2016A	2017A	2018F	2019F
<b>Revenues (\$\$m)</b>					
Production & Distribution	24.3	29.8	55.3	73.7	95.8
Cinema Operation		4.90	12.6	66.8	97.6
Event Production and Concert Promotion		0.0	22.6	37.9	49.2
Post-production		3.64	4.87	5.00	5.00
<b>Total</b>	<b>24.3</b>	<b>38.3</b>	<b>95.4</b>	<b>183</b>	<b>248</b>
<b>Gross profit (\$\$m)</b>					
Production & Distribution	9.58	13.1	26.5	33.2	43.1
Cinema Operation		2.80	7.56	38.7	56.6
Event Production and Concert Promotion		-	8.55	15.8	20.5
Post-production		2.50	2.69	3.50	3.50
<b>Total</b>	<b>9.58</b>	<b>18.4</b>	<b>45.3</b>	<b>91.2</b>	<b>124</b>
<b>Gross profit Margins (%)</b>					
Production & Distribution	39.5	44.0	47.9	45.0	45.0
Cinema Operation		57.1	60.0	58.0	58.0
Event Production and Concert Promotion		-	37.8	41.7	41.7
Post-production		68.7	55.4	70.0	70.0
<b>Total</b>	<b>39.5</b>	<b>48.0</b>	<b>47.5</b>	<b>49.7</b>	<b>50.0</b>

Partial contributions from Lotus and Golden Village

Partial contributions from UnUsUal

**Income Statement (\$\$m)**

FY Mar	2015A	2016A	2017A	2018F	2019F
Revenue	24.3	38.3	95.4	183	248
Cost of Goods Sold	(14.7)	(20.0)	(50.1)	(92.1)	(124)
<b>Gross Profit</b>	<b>9.58</b>	<b>18.4</b>	<b>45.3</b>	<b>91.2</b>	<b>124</b>
Other Opng (Exp)/Inc	(3.0)	(8.0)	(18.7)	(44.9)	(61.9)
<b>Operating Profit</b>	<b>6.62</b>	<b>10.4</b>	<b>26.5</b>	<b>46.3</b>	<b>61.8</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	0.00	(0.4)	(0.6)	(5.0)	(3.0)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>6.58</b>	<b>9.99</b>	<b>25.9</b>	<b>41.3</b>	<b>58.8</b>
Tax	(1.5)	(1.1)	(3.8)	(7.0)	(10.0)
Minority Interest	0.0	(0.7)	(3.2)	(4.9)	(5.8)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>5.08</b>	<b>8.18</b>	<b>18.8</b>	<b>29.3</b>	<b>43.0</b>
Net Profit before Except.	5.13	8.18	18.8	29.3	43.0
EBITDA	9.92	19.4	41.4	61.1	76.7
<b>Growth</b>					
Revenue Gth (%)	50.7	57.9	148.8	92.2	35.1
EBITDA Gth (%)	38.5	95.2	113.6	47.8	25.5
Opg Profit Gth (%)	78.3	56.7	155.5	74.5	33.7
Net Profit Gth (Pre-ex) (%)	68.1	59.4	130.1	55.9	46.7
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	39.5	48.0	47.5	49.7	50.0
Opg Profit Margin (%)	27.3	27.1	27.8	25.2	25.0
Net Profit Margin (%)	20.9	21.3	19.7	16.0	17.4
ROAE (%)	44.5	29.5	30.7	22.0	21.3
ROA (%)	18.5	15.3	16.2	8.8	7.4
ROCE (%)	37.7	25.0	24.6	9.4	8.6
Div Payout Ratio (%)	0.0	0.0	0.0	0.0	0.0
Net Interest Cover (x)	NM	26.8	43.1	9.3	20.6

Source: Company, DBS Bank

## Quarterly / Interim Income Statement (\$m)

FY Mar	2H15	1H16	1H16	1H17	2H17
Revenue	14.6	12.7	25.6	35.0	60.3
Cost of Goods Sold	(10.7)	(4.3)	(15.6)	(15.3)	(34.8)
<b>Gross Profit</b>	<b>3.9</b>	<b>8.4</b>	<b>10.0</b>	<b>19.8</b>	<b>25.5</b>
Other Oper. (Exp)/Inc	(0.1)	0.0	(0.1)	(0.2)	0.0
<b>Operating Profit</b>	<b>3.8</b>	<b>8.4</b>	<b>9.9</b>	<b>19.5</b>	<b>25.5</b>
Other Non Opg (Exp)/Inc	(0.0)	0.0	(0.0)	0.2	(0.2)
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>2.0</b>	<b>5.4</b>	<b>4.6</b>	<b>10.9</b>	<b>15.0</b>
Tax	(0.6)	(0.9)	(0.2)	(2.0)	(1.8)
Minority Interest	0.0	(0.5)	(0.7)	(1.0)	(2.2)
<b>Net Profit</b>	<b>1.5</b>	<b>4.0</b>	<b>3.7</b>	<b>7.8</b>	<b>11.0</b>
Net profit bef Except.	1.5	4.0	3.7	7.8	11.0
EBITDA	4.6	6.7	4.6	12.0	15.2
<b>Growth</b>					
Revenue Gth (%)	51	(13)	102	37	72
EBITDA Gth (%)	(13)	45	(31)	160	27
Opg Profit Gth (%)	(32)	118	18	98	31
Net Profit Gth (Pre-ex) (%)	(60)	175	(9)	113	40
<b>Margins</b>					
Gross Margins (%)	26.7	66.1	39.0	56.4	42.3
Opg Profit Margins (%)	26.3	66.1	38.6	55.8	42.3
Net Profit Margins (%)	10.0	31.6	14.3	22.4	18.2

Volatile margins mainly due to different stages of revenue recognition

## Balance Sheet (\$m)

FY Mar	2015A	2016A	2017A	2018F	2019F
Net Fixed Assets	0.10	3.65	11.2	241	260
Invt in Associates & JVs	0.0	0.0	1.49	0.0	0.0
Other LT Assets	6.36	26.1	54.3	40.5	26.8
Cash & ST Invt	5.76	4.74	25.8	84.1	172
Inventory	4.77	9.83	23.3	33.7	45.3
Debtors	20.6	24.4	46.4	108	145
Other Current Assets	0.0	0.26	0.58	0.58	0.58
<b>Total Assets</b>	<b>37.6</b>	<b>69.0</b>	<b>163</b>	<b>508</b>	<b>650</b>
ST Debt	0.22	0.20	11.1	11.1	11.1
Creditor	14.7	23.8	48.4	88.9	120
Other Current Liab	1.46	4.21	7.56	8.99	12.0
LT Debt	0.09	2.85	0.58	184	244
Other LT Liabilities	1.92	0.75	0.97	21.3	21.3
Shareholder's Equity	19.2	36.2	86.5	181	224
Minority Interests	0.0	0.98	7.94	12.9	18.7
<b>Total Cap. &amp; Liab.</b>	<b>37.6</b>	<b>69.0</b>	<b>163</b>	<b>508</b>	<b>650</b>
Non-Cash Wkg. Capital	9.19	6.49	14.3	44.0	59.7
Net Cash/(Debt)	5.45	1.69	14.1	(111)	(82.6)
Debtors Turn (avg days)	240.0	214.2	135.5	153.3	186.4
Creditors Turn (avg days)	417.3	640.7	373.5	324.2	348.9
Inventory Turn (avg days)	100.2	243.0	171.2	134.5	132.3
Asset Turnover (x)	0.9	0.7	0.8	0.5	0.4
Current Ratio (x)	1.9	1.4	1.4	2.1	2.5
Quick Ratio (x)	1.6	1.0	1.1	1.8	2.2
Net Debt/Equity (X)	CASH	CASH	CASH	0.6	0.3
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	0.6	0.4
Capex to Debt (%)	645.4	279.3	141.0	118.6	7.9
Z-Score (X)	17.4	11.3	7.5	4.8	4.5

Source: Company, DBS Bank

## Cash Flow Statement (S\$m)

FY Mar	2015A	2016A	2017A	2018F	2019F
Pre-Tax Profit	6.58	9.99	25.9	41.3	58.8
Dep. & Amort.	3.29	8.98	14.8	36.7	14.8
Tax Paid	(1.5)	(1.1)	(3.8)	(5.6)	(7.0)
Assoc. & JV Inc/(loss)	0.0	0.0	0.01	0.0	0.0
Chg in Wkg.Cap.	(12.0)	(22.6)	(30.8)	(31.1)	(18.7)
Other Operating CF	1.00	0.0	0.0	0.0	0.0
<b>Net Operating CF</b>	<b>(2.6)</b>	<b>(4.7)</b>	<b>6.12</b>	<b>41.2</b>	<b>47.9</b>
Capital Exp.(net)	(2.0)	(8.5)	(16.5)	(231)	(20.0)
Other Invt.(net)	0.0	0.0	0.0	0.0	0.0
Invt in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	0.0	0.0	0.0	0.0	0.0
<b>Net Investing CF</b>	<b>(2.0)</b>	<b>(8.5)</b>	<b>(16.5)</b>	<b>(231)</b>	<b>(20.0)</b>
Div Paid	0.0	0.0	0.0	0.0	0.0
Chg in Gross Debt	2.94	2.35	17.8	183	60.0
Capital Issues	7.75	9.10	18.0	65.0	0.0
Other Financing CF	(1.6)	(0.7)	0.0	0.0	0.0
<b>Net Financing CF</b>	<b>9.05</b>	<b>10.7</b>	<b>35.8</b>	<b>248</b>	<b>60.0</b>
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	4.44	(2.5)	25.4	58.4	87.9
Opg CFPS (S cts)	1.13	1.98	3.52	6.22	5.73
Free CFPS (S cts)	(0.6)	(1.5)	(1.0)	(16.3)	2.40

FY17 and FY18 -  
Acquisition of cinemas  
and RINGS.TV

Assume debt and  
equity financing for the  
acquisition of GV  
cinemas

Source: Company, DBS Bank

## Target Price &amp; Ratings History



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

Source: DBS Bank

Analyst: Lee Keng LING

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**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*

Completed Date: 19 Jul 2017 11:27:27 (SGT)

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