

# Singapore Company Guide

## mm2 Asia

Version 22 | Bloomberg: MM2 SP | Reuters: MM2A.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

15 Nov 2019

**HOLD** (Downgrade from BUY)

Last Traded Price (14 Nov 2019): S\$0.285 (STI : 3,231.85)

Price Target 12-mth: S\$0.30 (6% upside) (Prev S\$0.29)

**Analyst**

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**What's New**

- 1HFY20 results broadly in line, supported by event and post-production segments while core production and cinema were weaker
- Strong project pipeline for core production division, UnUsUaL and Vividthree
- Limited upside to TP of S\$0.30; downgrade to HOLD
- Potential catalysts to deleverage include stake sale and divestment of assets

**Price Relative**



**Forecasts and Valuation**

| FY Mar (S\$m)                | 2018A | 2019A  | 2020F | 2021F |
|------------------------------|-------|--------|-------|-------|
| Revenue                      | 192   | 266    | 306   | 353   |
| EBITDA                       | 57.8  | 84.5   | 87.4  | 95.1  |
| Pre-tax Profit               | 36.6  | 39.8   | 44.3  | 52.2  |
| Net Profit                   | 22.4  | 19.1   | 20.5  | 24.0  |
| Net Pft (Pre Ex.)            | 22.4  | 19.1   | 20.5  | 24.0  |
| Net Pft Gth (Pre-ex) (%)     | 27.8  | (14.5) | 6.9   | 17.4  |
| EPS (S cts)                  | 1.93  | 1.65   | 1.76  | 2.07  |
| EPS Pre Ex. (S cts)          | 1.93  | 1.65   | 1.76  | 2.07  |
| EPS Gth Pre Ex (%)           | 15    | (15)   | 7     | 17    |
| Diluted EPS (S cts)          | 1.93  | 1.65   | 1.76  | 2.07  |
| Net DPS (S cts)              | 0.0   | 0.0    | 0.0   | 0.0   |
| BV Per Share (S cts)         | 15.4  | 18.4   | 20.2  | 22.2  |
| PE (X)                       | 14.8  | 17.3   | 16.2  | 13.8  |
| PE Pre Ex. (X)               | 14.8  | 17.3   | 16.2  | 13.8  |
| P/Cash Flow (X)              | nm    | 183.5  | 3.7   | 5.5   |
| EV/EBITDA (X)                | 5.8   | 7.0    | 7.0   | 7.0   |
| Net Div Yield (%)            | 0.0   | 0.0    | 0.0   | 0.0   |
| P/Book Value (X)             | 1.9   | 1.5    | 1.4   | 1.3   |
| Net Debt/Equity (X)          | CASH  | 0.8    | 0.7   | 0.8   |
| ROAE (%)                     | 16.9  | 9.7    | 9.1   | 9.7   |
| <b>Earnings Rev (%)</b>      |       |        | 0     | 0     |
| <b>Consensus EPS (S cts)</b> |       |        | 1.7   | 2.0   |
| <b>Other Broker Recs:</b>    |       | B: 2   | S: 0  | H: 1  |

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

**Waiting for catalysts**

**Limited near term upside to S\$0.30 TP; downgrade to HOLD.**

Given the limited upside to TP after the recent c.30% jump in share price, we downgrade the stock to HOLD. On a longer term basis, we continue to see value in mm2 Asia. Based on sum-of-the-parts valuation, and stripping out its stakes in UnUsUaL and Vividthree, the market is valuing the core production and cinema segment at below S\$200m, which works out to P/EBITDA of c. 3x, which is too low in our view. mm2 paid 13.8x P/EBITDA for the Cathay cinema chain in Singapore and about 8-9x for the Malaysian cinemas while peers are trading at about 4.8x. The group has yet to realise the full synergistic benefits across its entire value chain.

Near-term catalysts would include deleveraging and/or restructuring of the group, including stake sale, divestment of assets, to reduce gearing.

**Where we differ:** We value the production segment based on a lower PE multiple, and P/EBITDA for the cinema. For UnUsUaL and Vividthree, we value them at current market valuations.

**Potential catalyst:** Deleveraging/restructuring to reduce gearing; more projects especially in North Asia; stake sale; assets sale.

**Valuation:**

**Cut to HOLD; TP S\$0.30.** Our sum-of-parts target price of S\$0.30 is pegged to 12.8x FY20F earnings for core business (in line with peers listed in Asia), 4.8x P/EBITDA for cinema business (20% discount to peers), and current market valuations for UnUsUaL and Vividthree.

**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.

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

**At A Glance**

|                           |           |
|---------------------------|-----------|
| Issued Capital (m shrs)   | 1,163     |
| Mkt. Cap (S\$m/US\$m)     | 331 / 243 |
| Major Shareholders (%)    |           |
| Starhub Ltd               | 9.8       |
| Yeo Khee Seng             | 8.3       |
| Free Float (%)            | 81.9      |
| 3m Avg. Daily Val (US\$m) | 0.22      |

**GIC Industry :** Communication Services / Media & Entertainment



Live more, Bank less

## mm2 Asia

## WHAT'S NEW

## 1HFY20 results broadly in line, supported by event and post production segments

**2QFY20 results broadly in line.** The 5% y-o-y increase in revenue to S\$68.4m (+40% q-o-q) was mainly contributed by associates UnUsUaL (UUU) and Vividthree (VV3). This was partly offset by weaker core production segment, due to lower distribution income and fewer productions completed, as some of the projects were still ongoing at the end of the fiscal quarter. Revenue from the cinema segment is dependent on movie titles released. Gross profit margin stood at 40.9%, slightly lower than 42.5% in 2QFY19. Net profit of S\$2.2m (-40% y-o-y, -68% q-o-q) accounted for 11% of our full-year forecast. Together with 1QFY20, 1HFY20 earnings accounted for 45% of our full-year estimates; broadly in line as 2H tends to be stronger than 1H.

**UUU** recorded a strong revenue growth of 57.5% y-o-y to S\$29.6m in 2QFY20, primarily attributed to the higher revenue contribution from the Promotion segment. In tandem with its revenue growth, net profit surged 54.8% to S\$5.0m.

**VV3** posted higher y-o-y revenue and profit for 2QFY20, largely attributed to the completion of post-production works such as visual effects (VFX) and computer-generating imagery (CGI) for film producers.

**Strong project pipeline:** For the core production business, the group has about 80 projects in the pipeline for the next 18 months. UUU is inclined towards recording full-year growth with a robust line-up of concerts/theme shows. VV3 sees further opportunities in adapting the Train to Busan (TTB) Intellectual Property rights for different show concepts/immersive attractions. It has also entered into a MOU to develop the Doraemon Experience (DE).

**Cinema to provide leverage synergies with core business.** The cinema segment continues to provide the group with a stable flow of revenue. It also enables the group to gain greater access to international studios that can lead to an increase in co-production opportunities and capabilities.

**Limited upside to TP of S\$0.30 TP; downgrade to HOLD.** No change in earnings forecasts, as 1H20 results were broadly in line. Our TP is tweaked to S\$0.30 (prev S\$0.29), which is derived from sum-of-parts valuation, on higher UUU valuation based on current market capitalisation. Given the limited upside to TP after the recent c.30% jump in price, we downgrade mm2 to HOLD.

Potential catalysts: the deleveraging and/or restructuring of the group, including stake sale and divestment of assets.

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

| FY Mar                  | 2Q2019      | 1Q2020      | 2Q2020      | % chg yoy     | % chg qoq     |
|-------------------------|-------------|-------------|-------------|---------------|---------------|
| Revenue                 | 64.9        | 49.0        | 68.4        | 5.4           | 39.5          |
| Cost of Goods Sold      | (37.3)      | (18.8)      | (40.4)      | 8.3           | 114.6         |
| <b>Gross Profit</b>     | <b>27.6</b> | <b>30.2</b> | <b>28.0</b> | <b>1.4</b>    | <b>(7.3)</b>  |
| Other Oper. (Exp)/Inc   | (13.4)      | (15.4)      | (15.4)      | 15.3          | 0.1           |
| <b>Operating Profit</b> | <b>14.3</b> | <b>14.8</b> | <b>12.6</b> | <b>(11.7)</b> | <b>(15.0)</b> |
| Other Non Opg (Exp)/Inc | 0.29        | 0.09        | 0.21        | (27.1)        | 134.1         |
| Associates & JV Inc     | 0.0         | 0.0         | 0.01        | nm            | nm            |
| Net Interest (Exp)/Inc  | (5.5)       | (4.7)       | (5.5)       | (0.3)         | (18.8)        |
| Exceptional Gain/(Loss) | 0.0         | 0.0         | 0.0         | -             | -             |
| <b>Pre-tax Profit</b>   | <b>9.00</b> | <b>10.2</b> | <b>7.27</b> | <b>(19.2)</b> | <b>(28.7)</b> |
| Tax                     | (3.5)       | (2.7)       | (2.0)       | (44.7)        | (28.2)        |
| Minority Interest       | (1.7)       | (0.5)       | (3.1)       | (79.0)        | 495.6         |
| <b>Net Profit</b>       | <b>3.74</b> | <b>6.95</b> | <b>2.23</b> | <b>(40.4)</b> | <b>(68.0)</b> |
| Net profit bef Except.  | 3.74        | 6.95        | 2.23        | (40.4)        | (68.0)        |
| EBITDA                  | 17.7        | 25.0        | 25.2        | 42.0          | 1.0           |
| <b>Margins (%)</b>      |             |             |             |               |               |
| Gross Margins           | 42.5        | 61.6        | 40.9        |               |               |
| Opg Profit Margins      | 22.0        | 30.2        | 18.4        |               |               |
| Net Profit Margins      | 5.8         | 14.2        | 3.3         |               |               |

Source of all data: Company, DBS Bank

**mm2 Asia**

**CRITICAL DATA POINTS TO WATCH**

**Critical Factors**

**Synergistic acquisitions**

mm2’s investments over the years has helped the group to maintain its competitive advantage, and to build synergies across the entire value chain. Listed entities Vividthree (VV3), a virtual reality, visual effects production studio, and 39.2% owned UnUsUaL Ltd (UUU), a market leader in large-scale live events and concerts, and other OTT platforms, helped the group to expand its product offerings.

In terms of cinema, 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. It has also acquired all eight Cathay cinemas in Singapore.

**Healthy project pipeline**

For the core production business, the group has about 80 projects in the pipeline for the next 18 months. UUU is inclined towards recording full-year growth with a robust line-up of concerts/theme shows, including “Walking with Dinosaurs” and “Apollo” family shows. VV3 sees further opportunities in adapting the Train to Busan (TTB) Intellectual Property rights for different show concepts/immersive attractions. It has also entered into a MOU to develop the Doraemon Experience (DE).

**Expansion in North Asia**

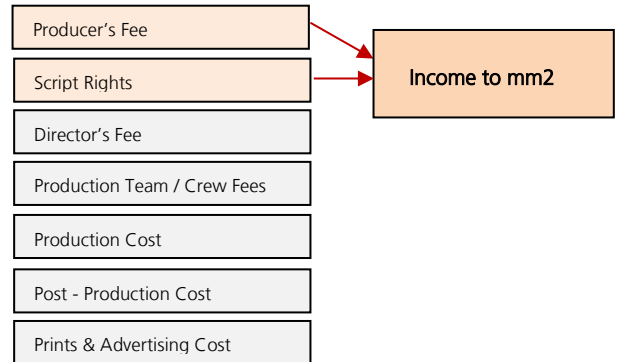
North Asia contributed 70% of production revenue in FY19, up from 36% in FY16, 56% in FY17 and 57% in FY18. We expect North Asia to remain a key contributor. mm2 has a unique presence in all the Chinese markets, including Singapore, Malaysia, Hong Kong, Taiwan, and China. This presents ample cross-border collaboration opportunities. 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.

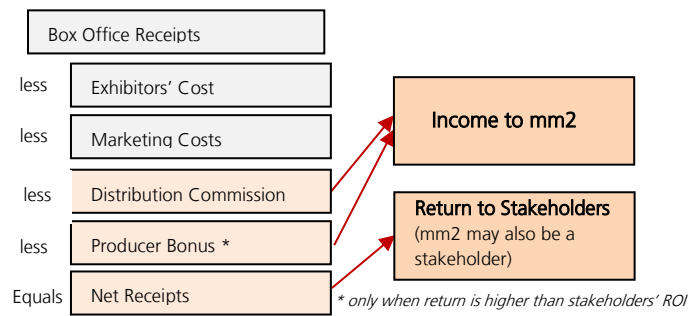
**Content production partner to Western and Chinese giant**

mm2’s strong network of content makers is valuable to players penetrating East and Southeast Asia.

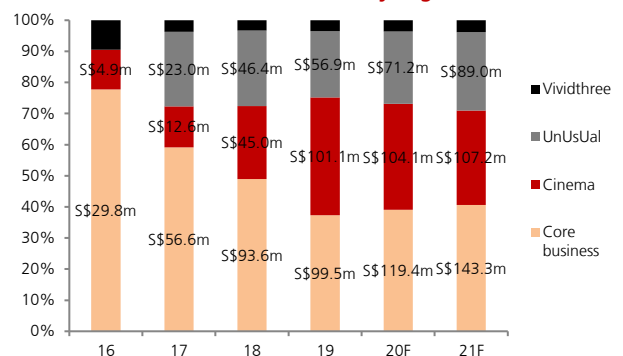
**Business Model – The Film Budget**



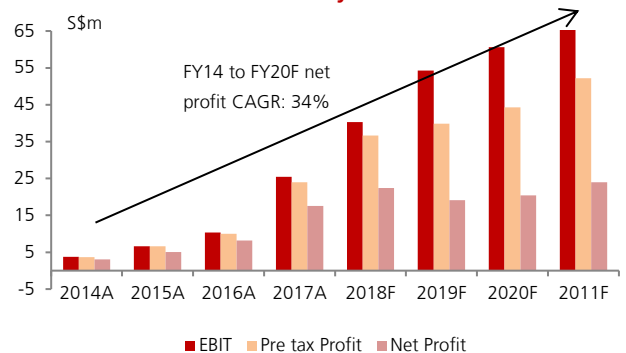
**Business Model – Gross Receipts (Box Office)**



**Revenue Breakdown by Segment**



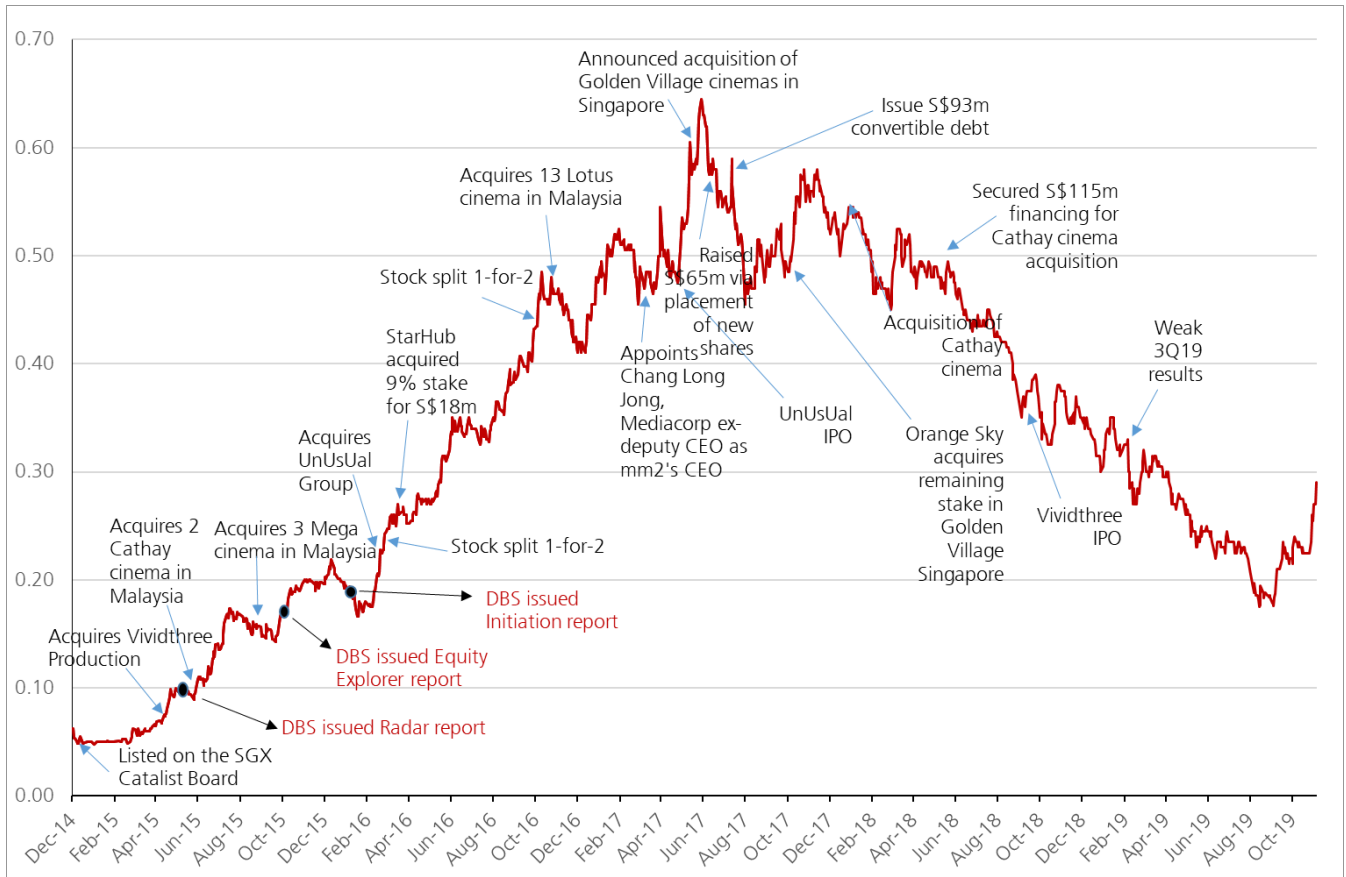
**Profitability Trend**



Source: Company, DBS Bank

mm2 Asia

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



Source: ThomsonReuters, DBS Bank

**mm2 Asia**

**Balance Sheet:**

**Net gearing position.** The group took on more debt to finance the acquisition of Cathay cinemas in Singapore. Net gearing for FY19 increased to 0.8x, from net cash in FY18. We believe the group will aim to deleverage itself after a period of acquisitions.

**Share Price Drivers:**

**Deleveraging effort.** mm2 moved into a net debt position following the acquisition of Cathay Cineplexes for S\$230m in November 2017, that was financed mainly via debt. The high interest expense led to a 14.5% drop in net earnings in FY19, while net margins fell to 7.2% from 11.7% in FY18. Going forward, mm2 would have to deleverage in order to maintain a decent net margin.

Options include stake sale and/or divestment of assets. A spinoff of the cinema business could also be an option. Alternatively, the group could explore the option of divesting its 39% holding in UnUsUaL and 42% stake in Vividthree, or bring in strategic investors.

**Production budget.** As mm2 adopts a fee-based model, its revenue is directly correlated to the size of the production budget. An increase in contribution from North Asia, where the production budget is much bigger, about S\$10m on average per production in China, vs average of S\$1-2m for Singapore and Malaysia projects, could help to propel the group higher.

**Key Risks:**

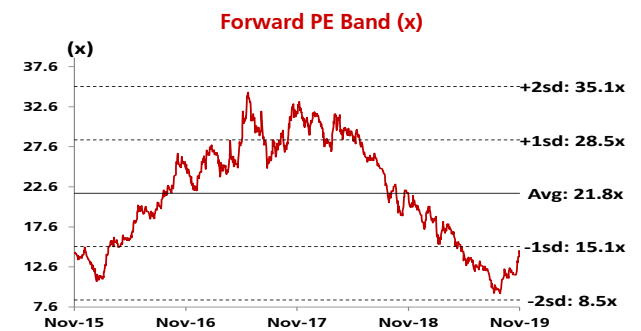
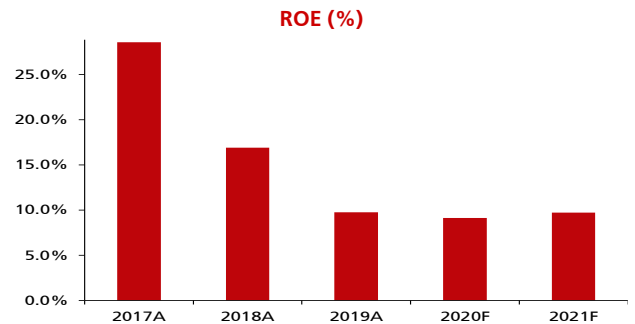
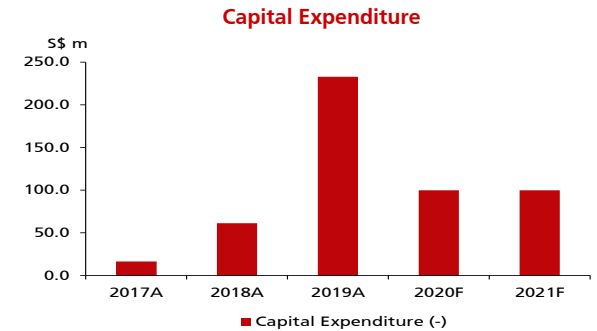
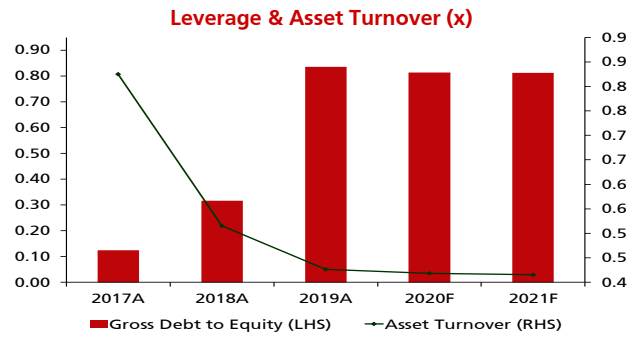
**No long-term financing arrangements for productions.** The commencement of each production is dependent on mm2's ability to secure funding.

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

**Inability 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 and Singapore.



Source: Company, DBS Bank

## mm2 Asia

## Segmental Breakdown

| FY Mar                             | 2017A       | 2018A       | 2019A       | 2020F       | 2021F       |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Revenues (\$\$m)</b>            |             |             |             |             |             |
| Production & Distribution          | 56.6        | 93.6        | 99.5        | 119         | 143         |
| Cinema Operation                   | 12.6        | 45.0        | 101         | 104         | 107         |
| Event Production & Post-Production | 23.0        | 46.4        | 56.9        | 71.2        | 89.0        |
| Others                             | 3.52        | 6.32        | 9.29        | 11.1        | 13.4        |
| Others                             | 0.04        | 0.62        | (0.6)       | 0.0         | 0.0         |
| <b>Total</b>                       | <b>95.7</b> | <b>192</b>  | <b>266</b>  | <b>306</b>  | <b>353</b>  |
| <b>Gross profit (\$\$m)</b>        |             |             |             |             |             |
| Production & Distribution          | 26.5        | 40.3        | 44.1        | 51.4        | 61.6        |
| Cinema Operation                   | 7.56        | 28.2        | 51.4        | 57.3        | 59.0        |
| Event Production & Post-Production | 8.55        | 17.9        | 23.0        | 28.7        | 35.9        |
| Others                             | 2.69        | 3.86        | 6.48        | 7.24        | 8.69        |
| Others                             | 0.0         | 0.19        | 0.19        | 0.19        | 0.19        |
| <b>Total</b>                       | <b>45.3</b> | <b>90.5</b> | <b>125</b>  | <b>145</b>  | <b>165</b>  |
| <b>Gross profit Margins (%)</b>    |             |             |             |             |             |
| Production & Distribution          | 46.7        | 43.1        | 44.3        | 43.0        | 43.0        |
| Cinema Operation                   | 60.0        | 62.6        | 50.9        | 55.0        | 55.0        |
| Event Production & Post-Production | 37.2        | 38.5        | 40.3        | 40.3        | 40.3        |
| Others                             | 76.6        | 61.2        | 69.8        | 65.0        | 65.0        |
| Others                             | N/A         | N/A         | N/A         | N/A         | N/A         |
| <b>Total</b>                       | <b>47.3</b> | <b>47.1</b> | <b>47.0</b> | <b>47.3</b> | <b>46.9</b> |

Full contribution from Lotus and Cathay

Partial contribution from UnUsUaL

## Income Statement (\$\$m)

| FY Mar                      | 2017A       | 2018A       | 2019A       | 2020F       | 2021F       |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|
| Revenue                     | 95.7        | 192         | 266         | 306         | 353         |
| Cost of Goods Sold          | (50.5)      | (105)       | (142)       | (161)       | (188)       |
| <b>Gross Profit</b>         | <b>45.3</b> | <b>87.3</b> | <b>124</b>  | <b>145</b>  | <b>165</b>  |
| Other Opng (Exp)/Inc        | (19.8)      | (45.9)      | (67.0)      | (84.1)      | (97.0)      |
| <b>Operating Profit</b>     | <b>25.4</b> | <b>41.4</b> | <b>57.2</b> | <b>60.6</b> | <b>68.3</b> |
| Other Non Opg (Exp)/Inc     | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Associates & JV Inc         | 0.0         | 0.11        | 0.49        | 0.0         | 0.0         |
| Net Interest (Exp)/Inc      | (1.4)       | (4.9)       | (17.9)      | (16.4)      | (16.2)      |
| Exceptional Gain/(Loss)     | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Pre-tax Profit</b>       | <b>24.0</b> | <b>36.6</b> | <b>39.8</b> | <b>44.3</b> | <b>52.2</b> |
| Tax                         | (3.7)       | (7.1)       | (11.1)      | (12.4)      | (14.5)      |
| Minority Interest           | (2.8)       | (7.1)       | (9.6)       | (11.5)      | (13.6)      |
| Preference Dividend         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Net Profit</b>           | <b>17.5</b> | <b>22.4</b> | <b>19.1</b> | <b>20.5</b> | <b>24.0</b> |
| Net Profit before Except.   | 17.5        | 22.4        | 19.1        | 20.5        | 24.0        |
| EBITDA                      | 40.3        | 57.8        | 84.5        | 87.4        | 95.1        |
| <b>Growth</b>               |             |             |             |             |             |
| Revenue Gth (%)             | 149.7       | 100.6       | 38.6        | 14.9        | 15.4        |
| EBITDA Gth (%)              | 108.0       | 43.6        | 46.1        | 3.5         | 8.8         |
| Opg Profit Gth (%)          | 145.1       | 62.9        | 38.1        | 6.0         | 12.7        |
| Net Profit Gth (Pre-ex) (%) | 114.3       | 27.8        | (14.5)      | 6.9         | 17.4        |
| <b>Margins &amp; Ratio</b>  |             |             |             |             |             |
| Gross Margins (%)           | 47.3        | 45.5        | 46.7        | 47.3        | 46.9        |
| Opg Profit Margin (%)       | 26.6        | 21.6        | 21.5        | 19.8        | 19.4        |
| Net Profit Margin (%)       | 18.3        | 11.7        | 7.2         | 6.7         | 6.8         |
| ROAE (%)                    | 28.6        | 16.9        | 9.7         | 9.1         | 9.7         |
| ROA (%)                     | 15.1        | 6.0         | 3.1         | 2.8         | 2.8         |
| ROCE (%)                    | 21.8        | 8.7         | 0.3         | 0.8         | 1.3         |
| Div Payout Ratio (%)        | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Net Interest Cover (x)      | 18.0        | 8.4         | 3.2         | 3.7         | 4.2         |

Mainly to finance acquisition of Cathay cinema chain in Singapore

Source: Company, DBS Bank

## mm2 Asia

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

| FY Mar                  | 2Q2019      | 3Q2019      | 4Q2019      | 1Q2020      | 2Q2020      |
|-------------------------|-------------|-------------|-------------|-------------|-------------|
| Revenue                 | 64.9        | 74.1        | 78.2        | 49.0        | 68.4        |
| Cost of Goods Sold      | (37.3)      | (44.3)      | (44.3)      | (18.8)      | (40.4)      |
| <b>Gross Profit</b>     | <b>27.6</b> | <b>29.8</b> | <b>33.9</b> | <b>30.2</b> | <b>28.0</b> |
| Other Oper. (Exp)/Inc   | (13.4)      | (18.8)      | (18.9)      | (15.4)      | (15.4)      |
| <b>Operating Profit</b> | <b>14.3</b> | <b>11.0</b> | <b>15.0</b> | <b>14.8</b> | <b>12.6</b> |
| Other Non Opg (Exp)/Inc | 0.29        | 0.47        | 1.81        | 0.09        | 0.21        |
| Associates & JV Inc     | 0.0         | 0.0         | 0.04        | 0.0         | 0.01        |
| Net Interest (Exp)/Inc  | (5.5)       | (4.3)       | (4.9)       | (4.7)       | (5.5)       |
| Exceptional Gain/(Loss) | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Pre-tax Profit</b>   | <b>9.00</b> | <b>7.16</b> | <b>12.0</b> | <b>10.2</b> | <b>7.27</b> |
| Tax                     | (3.5)       | (2.5)       | (2.6)       | (2.7)       | (2.0)       |
| Minority Interest       | (1.7)       | (2.7)       | (3.2)       | (0.5)       | (3.1)       |
| <b>Net Profit</b>       | <b>3.74</b> | <b>1.96</b> | <b>6.20</b> | <b>6.95</b> | <b>2.23</b> |
| Net profit bef Except.  | 3.74        | 1.96        | 6.20        | 6.95        | 2.23        |
| EBITDA                  | 17.7        | 17.6        | 25.0        | 25.0        | 25.2        |

## Growth

|                             |        |        |       |        |        |
|-----------------------------|--------|--------|-------|--------|--------|
| Revenue Gth (%)             | 32.5   | 14.1   | 5.6   | (37.3) | 39.5   |
| EBITDA Gth (%)              | (2.2)  | (0.8)  | 42.1  | (0.3)  | 1.0    |
| Opg Profit Gth (%)          | (1.8)  | (23.0) | 36.8  | (1.5)  | (15.0) |
| Net Profit Gth (Pre-ex) (%) | (48.4) | (47.5) | 216.2 | 12.2   | (68.0) |

## Margins

|                        |      |      |      |      |      |
|------------------------|------|------|------|------|------|
| Gross Margins (%)      | 42.5 | 40.2 | 43.3 | 61.6 | 40.9 |
| Opg Profit Margins (%) | 22.0 | 14.8 | 19.2 | 30.2 | 18.4 |
| Net Profit Margins (%) | 5.8  | 2.6  | 7.9  | 14.2 | 3.3  |

## Balance Sheet (\$\$m)

| FY Mar                        | 2017A      | 2018A      | 2019A      | 2020F      | 2021F      |
|-------------------------------|------------|------------|------------|------------|------------|
| Net Fixed Assets              | 11.2       | 42.1       | 36.4       | 127        | 217        |
| Invt in Associates & JVs      | 1.49       | 2.63       | 2.76       | 0.0        | 0.0        |
| Other LT Assets               | 54.3       | 301        | 339        | 325        | 308        |
| Cash & ST Invt                | 25.8       | 93.2       | 18.6       | 28.9       | 19.0       |
| Inventory                     | 23.3       | 21.1       | 22.2       | 41.9       | 48.3       |
| Debtors                       | 46.4       | 108        | 181        | 209        | 242        |
| Other Current Assets          | 0.58       | 14.1       | 66.2       | 66.2       | 66.2       |
| <b>Total Assets</b>           | <b>163</b> | <b>582</b> | <b>666</b> | <b>798</b> | <b>900</b> |
| ST Debt                       | 11.1       | 4.97       | 36.8       | 56.8       | 56.8       |
| Creditor                      | 48.4       | 273        | 131        | 209        | 242        |
| Other Current Liab            | 7.56       | 13.0       | 27.4       | 29.4       | 31.6       |
| LT Debt                       | 0.58       | 61.0       | 186        | 186        | 216        |
| Other LT Liabilities          | 0.97       | 21.8       | 17.4       | 17.4       | 17.4       |
| Shareholder's Equity          | 86.5       | 179        | 214        | 235        | 259        |
| Minority Interests            | 7.94       | 29.9       | 52.5       | 63.9       | 77.5       |
| <b>Total Cap. &amp; Liab.</b> | <b>163</b> | <b>582</b> | <b>666</b> | <b>798</b> | <b>900</b> |
| Non-Cash Wkg. Capital         | 14.3       | (143)      | 110        | 78.6       | 82.9       |
| Net Cash/(Debt)               | 14.1       | 27.2       | (204)      | (214)      | (254)      |
| Debtors Turn (avg days)       | 135.0      | 146.7      | 197.9      | 232.8      | 233.3      |
| Creditors Turn (avg days)     | 369.8      | 663.0      | 640.4      | 462.9      | 512.1      |
| Inventory Turn (avg days)     | 169.5      | 91.5       | 68.6       | 87.1       | 102.4      |
| Asset Turnover (x)            | 0.8        | 0.5        | 0.4        | 0.4        | 0.4        |
| Current Ratio (x)             | 1.4        | 0.8        | 1.5        | 1.2        | 1.1        |
| Quick Ratio (x)               | 1.1        | 0.7        | 1.0        | 0.8        | 0.8        |
| Net Debt/Equity (X)           | CASH       | CASH       | 0.8        | 0.7        | 0.8        |
| Net Debt/Equity ex MI (X)     | CASH       | CASH       | 1.0        | 0.9        | 1.0        |
| Capex to Debt (%)             | 141.0      | 93.0       | 104.4      | 41.2       | 36.6       |
| Z-Score (X)                   | 1.4        | 1.0        | 1.4        | 1.4        | 1.4        |

Includes film rights

Mainly to finance acquisition of Cathay cinema chain in Singapore

Source: Company, DBS Bank

## mm2 Asia

## Cash Flow Statement (\$m)

| FY Mar                  | 2017A         | 2018A         | 2019A        | 2020F          | 2021F          |
|-------------------------|---------------|---------------|--------------|----------------|----------------|
| Pre-Tax Profit          | 24.0          | 36.6          | 39.8         | 44.3           | 52.2           |
| Dep. & Amort.           | 14.8          | 16.3          | 26.7         | 26.7           | 26.7           |
| Tax Paid                | (3.8)         | (5.2)         | (9.8)        | (10.3)         | (12.4)         |
| Assoc. & JV Inc/(loss)  | 0.01          | (0.1)         | 0.0          | 0.0            | 0.0            |
| Chg in Wkg.Cap.         | (30.8)        | (57.3)        | (55.0)       | 29.6           | (6.4)          |
| Other Operating CF      | 0.0           | 0.0           | 0.0          | 0.0            | 0.0            |
| <b>Net Operating CF</b> | <b>4.24</b>   | <b>(9.7)</b>  | <b>1.81</b>  | <b>90.3</b>    | <b>60.1</b>    |
| Capital Exp.(net)       | (16.5)        | (61.3)        | (233)        | (100.0)        | (100.0)        |
| Other Invt.(net)        | 0.0           | 0.0           | 25.8         | 0.0            | 0.0            |
| Invt in Assoc. & JV     | 0.0           | (2.5)         | (0.5)        | 0.0            | 0.0            |
| Div from Assoc & JV     | 0.0           | 0.0           | 0.0          | 0.0            | 0.0            |
| Other Investing CF      | (9.5)         | (9.8)         | (24.0)       | 0.0            | 0.0            |
| <b>Net Investing CF</b> | <b>(26.0)</b> | <b>(73.7)</b> | <b>(232)</b> | <b>(100.0)</b> | <b>(100.0)</b> |
| Div Paid                | 0.0           | 0.0           | 0.0          | 0.0            | 0.0            |
| Chg in Gross Debt       | 17.8          | 60.2          | 150          | 20.0           | 30.0           |
| Capital Issues          | 18.0          | 81.6          | 12.0         | 0.0            | 0.0            |
| Other Financing CF      | (0.5)         | (1.2)         | (15.8)       | 0.0            | 0.0            |
| <b>Net Financing CF</b> | <b>35.3</b>   | <b>141</b>    | <b>146</b>   | <b>20.0</b>    | <b>30.0</b>    |
| Currency Adjustments    | 0.0           | 0.0           | 0.0          | 0.0            | 0.0            |
| Chg in Cash             | 13.5          | 57.2          | (83.9)       | 10.3           | (9.9)          |
| Opg CFPS (S cts)        | 3.34          | 4.09          | 4.88         | 5.22           | 5.72           |
| Free CFPS (S cts)       | (1.2)         | (6.1)         | (19.9)       | (0.8)          | (3.4)          |

Mainly to finance  
Cathay cinema chain  
acquisition

Source: Company, DBS Bank

## Target Price &amp; Ratings History



| S.No. | Date of Report | Closing Price | 12-mth Target Price | Rating |
|-------|----------------|---------------|---------------------|--------|
| 1:    | 15 Nov 18      | 0.36          | 0.50                | BUY    |
| 2:    | 13 Feb 19      | 0.30          | 0.33                | HOLD   |
| 3:    | 31 May 19      | 0.25          | 0.34                | BUY    |
| 4:    | 14 Aug 19      | 0.20          | 0.29                | BUY    |

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 share price catalysts within this time frame)

*\*Share price appreciation + dividends*

Completed Date: 15 Nov 2019 08:25:02 (SGT)

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