

17 September 2019

Consumer Discretionary | Media & Entertainment

UnUsUaL (UNU SP)

Buy

Shares On Sale Now! While Stocks Last!; BUY

Target Price (Return)	SGD0.42 (+50%)
Price:	SGD0.28
Market Cap:	USD206m
Avg Daily Turnover (SGD/USD)	0.09m/0.06m

- Initiate with a BUY with SGD0.42 TP, 50% upside.** UnUsUaL is an Asian concert promotion and event production leader. It has grown since listing into an entity with FY19 earnings of SGD13.2m (CAGR: +53%). Given more entertainment opportunities ahead, this should help grow a conservative FY20F-22F NPAT CAGR of 20%. Its share price has also corrected significantly to a reasonable valuation. Consequently, we initiate coverage on a rare local firm that can still deliver high growth over the next 2-3 years.

- Scalable and resilient business model – branching globally.** UnUsUaL has a scalable business model. It can leverage on strong relationships with various artistes, and is able to host concerts in various venues globally, especially China. Top artistes can easily tour 40-60 cities in 1-2 years, and UnUsUaL has tested and proven the success of this concept, having brought Chinese singer GEM to San Francisco for sold-out concerts in March and Singaporean artiste JJ Lin for sold-out shows in Sydney and Melbourne.

- Expansion into family entertainment shows.** UnUsUaL has partnered with Sliding Door Entertainment to bring the *Walking With Dinosaurs (WWD)* arena spectacular on tour to 11 cities in Asia for a total of 117 shows. The group is also presenting *Disney On Ice (DOI)* in South Korea and Taiwan with Feld Entertainment Inc this year. It has also developed and produced *Apollo 11 – The Immersive Live Show* with Nick Grace Management Ltd.

- Strong quarters ahead – robust pipeline of shows.** Despite a weak 1Q20, the company is likely to enjoy a strong 2Q20F, and an even stronger 3Q20F due to the pipeline ahead. 2Q20F should see recognition of their family entertainment shows like DOI, WWD and Apollo 11 (partially). It should also recognise revenue from the fully sold-out indoor stadium concerts of a 4-night Andy Lau concert, as well as Westlife, and Gfriend concerts, aside from the Kang Daniel's fan meeting. 3Q20F should see revenue from two nights of JJ Lin at a much larger national stadium venue – four times the capacity of his 2018 concert, which has already been fully sold-out – and a full quarter recognition of Apollo 11. UnUsUaL also has upcoming concerts for JJ Lin in Macau/Hong Kong, Malaysia/Taiwan, and Australia, of which the company plans to add more shows in Sydney and Melbourne. Management is also in the midst of adding on concerts for other artistes, which should further boost its pipeline.

- Looking into potential M&A for further synergies regionally.** The group is looking to acquire similar businesses in Malaysia and Taiwan ie similar firms with good track record, profitable, and accretive to it immediately. UnUsUaL is also trading at a much lower multiple when compared to larger global peers, which makes it an attractive target.

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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(20.5)	(4.9)	(3.3)	(1.7)	(34.1)
Relative	(23.0)	1.4	(0.9)	1.6	(31.1)
52-wk Price low/high (SGD)					0.25 - 0.43



Source: Bloomberg

Forecasts and Valuation	Mar-18	Mar-19	Mar-20F	Mar-21F	Mar-22F
Total turnover (SGDm)	46.4	56.9	77.3	81.2	99.7
Recurring net profit (SGDm)	10.0	13.2	17.0	21.2	24.5
Recurring net profit growth	36.6	31.7	28.7	25.0	15.5
Recurring P/E (x)	28.2	21.5	16.7	13.3	11.5
P/BV (x)	7.1	5.3	4.0	3.1	2.4
P/CF (x)	(181.4)	(64.0)	12.0	9.7	8.6
Dividend Yield (%)	-	-	-	-	-
EV/EBITDA (x)	19.6	15.8	11.7	8.7	6.9
ROE (%)	25.2	24.9	24.3	23.3	21.2
Net debt to equity (%)	(46.1)	0.5	(6.6)	(27.2)	(41.7)
Interest coverage (x)	2034.2	1035.4	28.8	105.2	121.4

Source: Company data, RHB

Financial Exhibits

Asia		Financial summary	Mar-18	Mar-19	Mar-20F	Mar-21F	Mar-22F
Singapore		Core EPS (SGD)	0.01	0.01	0.02	0.02	0.02
Consumer Discretionary		EPS (SGD)	0.01	0.01	0.02	0.02	0.02
Media & Entertainment		DPS (SGD)	0.00	0.00	0.00	0.00	0.00
Major shareholders (%)		BVPS (SGD)	0.04	0.05	0.07	0.09	0.11
UnUsUaL Management	76.9	ROE (%)	25.2	24.9	24.3	23.3	21.2
Chin Soon Ong	2.1	ROA (%)	19.6	14.7	16.7	18.4	17.0
Chin Leong Ong	0.1						
Valuation basis		Valuation metrics	Mar-18	Mar-19	Mar-20F	Mar-21F	Mar-22F
Our DCF assumption includes:		Core P/E (x)	28.2	21.5	16.7	13.3	11.5
i. WACC of 7%;		P/B (x)	7.1	5.3	4.0	3.1	2.4
ii. Terminal growth of 1%.		Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
		EV/EBITDA (x)	19.6	15.8	11.7	8.7	6.9
Key drivers		Income statement (SGDm)	Mar-18	Mar-19	Mar-20F	Mar-21F	Mar-22F
Our FY20 forecasts are most sensitive to changes in:		Total turnover	46	57	77	81	100
i. The number and size of concerts held;		Gross profit	18	23	26	28	34
ii. NIM;		EBITDA	14	18	24	30	34
iii. Finance costs.		Operating profit	12	16	21	25	29
		Net interest	0	0	-1	0	0
Key risks		Exceptional items	0	1	2	3	4
i. Cancellation/postponement of events;		Pre-tax profit	12	16	20	25	29
ii. Accidents/mishaps during the event;		Taxation	-2	-3	-3	-4	-4
iii. Responsible for third-party's non-performances;		Net profit	10	13	17	21	25
iv. The departure of key employees;		Core net profit	10	13	17	21	25
v. Poor ticket sales.							
Company Profile		Cash flow (SGDm)	Mar-18	Mar-19	Mar-20F	Mar-21F	Mar-22F
Established in 1997, UnUsUaL is one of the leaders in concert promotions and events production in Asia. The group predominantly operates through two business segments – production and promotion. It specialises in producing and promoting large-scale live events and concerts in Singapore and the region.		Cash flow from operations	-3	-6	20	25	28
		Capex	-4	-2	-15	-5	-5
		Cash flow from investing activities	-7	-12	-15	-5	-5
		Cash flow from financing activities	17	4	8	-8	0
		Cash at beginning of period	10	18	4	17	29
		Net change in cash	8	-15	13	12	23
		Ending balance cash	18	4	17	29	52
		Balance sheet (SGDm)	Mar-18	Mar-19	Mar-20F	Mar-21F	Mar-22F
		Total cash and equivalents	18	4	17	29	52
		Tangible fixed assets	10	10	22	23	23
		Intangible assets	3	2	2	2	2
		Total investments	0	1	2	3	4
		Total other assets	21	74	61	62	67
		Total assets	51	90	102	116	144
		Short-term debt	0	4	12	4	4
		Total long-term debt	0	0	0	0	0
		Total liabilities	12	37	32	24	29
		Shareholders' equity	40	53	70	91	116
		Minority interests	0	0	0	0	0
		Total equity	40	53	70	91	116
		Total liabilities & equity	51	90	102	116	144
		Key metrics	Mar-18	Mar-19	Mar-20F	Mar-21F	Mar-22F
		Revenue growth (%)	37.1	22.6	35.8	5.1	22.8
		Core net profit growth (%)	36.6	31.7	28.7	25.0	15.5
		Core EPS growth (%)	-17.6	30.8	28.7	25.0	15.5
		Gross margin (%)	38.5	40.3	34.1	34.6	33.9
		Core net profit margin (%)	21.6	23.2	22.0	26.1	24.6
		Dividend payout ratio (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, RHB

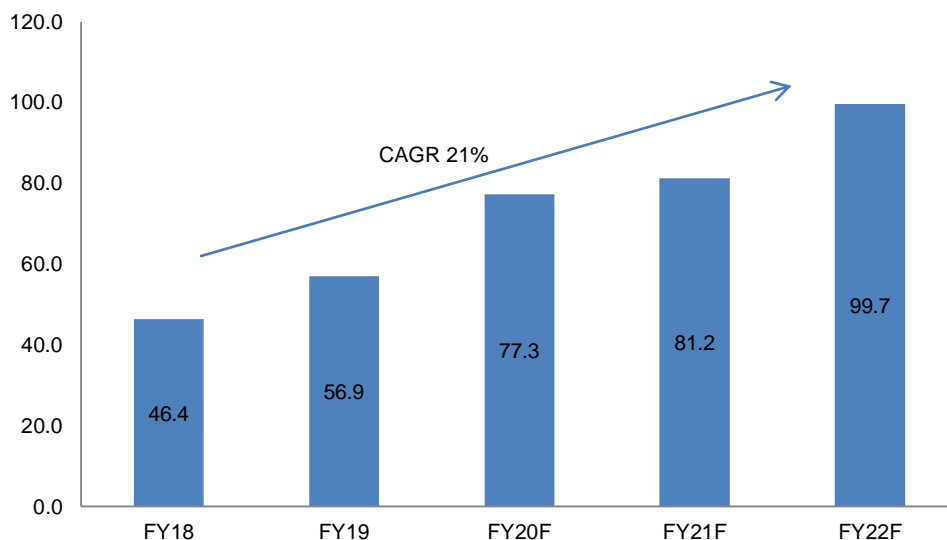
Investment Merits

Rare local company with strong earnings growth – FY20F-22F CAGR of 20%.

UnUsUaL is one of the rare companies in Singapore that has consistently delivered strong earnings growth, and is likely to continue to delivering strong earnings growth going forward – this is backed by the group's strong pipeline.

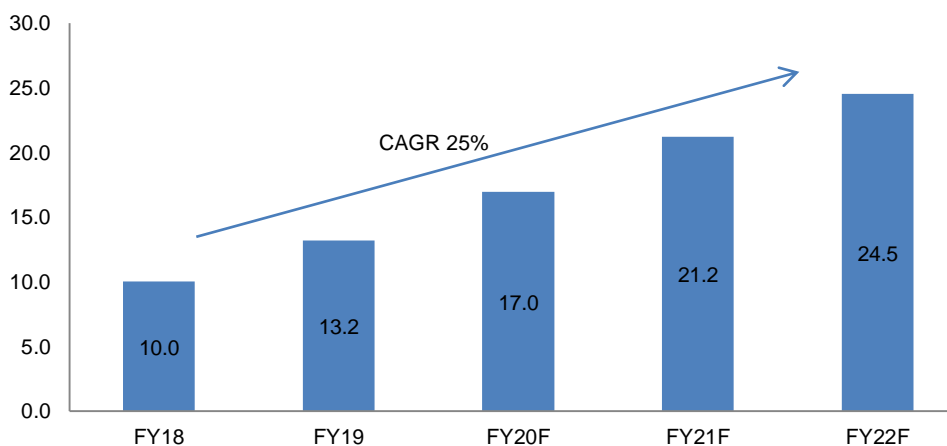
Since its 2017 listing, UnUsUaL has grown into a company with a net profit of SGD13.2m as at FY19 from SGD5.6m (12 months pro-rated) – this represents a CAGR of 53%. Going forward, with more family entertainment shows in the pipeline, as well as larger-sized concerts and partnerships with artistes in new foreign venues, this should help to further grow a conservative FY20F-22F NPAT CAGR of 20%, in our view.

Figure 1: Revenue – FY18-22F (SGDm)



Source: Company data, RHB

Figure 2: Net profit – FY18-22F (SGDm)



Source: Company data, RHB

Easy, scalable, and proven business model. UnUsUaL has a scalable business model and can leverage on its strong relationship with artistes. It is also able to organise concerts in different parts of the world, especially in China. Top artistes can easily tour 40-60 cities in 1-2 years, and this concept has been tested and proven to be very successful, especially when UnUsUaL brought:

- i. Chinese singer GEM (real name Gloria Tang Sze-wing) to San Francisco for the first time ever – her concert in March was completely sold out;
- ii. Singaporean artiste JJ Lin to Australia – both his shows in Sydney and Melbourne were fully sold out.

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With a host of artistes that the company has worked well with over the last decade, UnUsUaL can and should continue to explore countries with strong demand for Cantopop/Mandopop concerts – bringing such performers to venues they had previously not considered as commercially feasible before.

Management highlighted that it aims to bring more artistes to countries that have seen a surge in demand for Cantopop/Mandopop music, eg Europe, the US, Australia, and New Zealand. This is due to an increase in naturalised and/or locally-born Chinese citizens in such countries over the last few decades.

In addition, UnUsUaL wants to tap into the rising popularity of some of its artistes, especially those with which it has a good existing relationship. The company wants to also upscale its concerts, hosting them at larger venues with more capacity. This, in turn, is likely to yield better margins.

As an example, in 2018, it organised a 4-night JJ Lin concert at an 8,000-seat venue that was completely sold out. This year, UnUsUaL decided to switch the venue to a 54,000-seater stadium, or about 7x last year's venue. Based on ticket sales alone – assuming the shows are completely sold-out – the group should benefit from substantially more profits due to higher margins and revenues. Management said it was keen to do such things not just in Singapore alone, but in other countries as well.

Figure 3: Notable concerts in the past 12 months

Date	Artiste	Past events	Country	Venue	Capacity
Jul-19	Westlife	<i>The Twenty Tour</i>	Bangkok, Thailand	Impact Arena, Muang Thong Thani	11,440
Jul-19	GFriend	<i>GO GO GFRIEND Asia Tour</i>	Singapore	The Star Theatre	5,000
Mar-19	GEM	<i>Queen of Hearts World Tour</i>	San Francisco	Bill Graham Civic Auditorium	8,500
Mar-19	Wang Leehom	<i>Descendants of the Dragon 2060 World Tour</i>	Kuala Lumpur, Malaysia	Stadium Merdeka	40,000
Mar-19	JJ Lin	<i>Sanctuary World Tour</i>	Melbourne, Australia	Rod Laver Arena	14,820
Mar-19	JJ Lin	<i>Sanctuary World Tour</i>	Sydney, Australia	Qudos Bank Arena	21,000
Jan-19	Hacken Lee	<i>30th Anniversary Concert</i>	Genting, Malaysia	Arena of Stars	6,000
Jan-19	Wang Leehom	<i>Descendants of the Dragon 2060 World Tour</i>	Singapore	Singapore Indoor Stadium	12,000
Nov-18	Guns N' Roses	<i>Not In This Lifetime</i>	Jakarta, Indonesia	Stadion Utama Gelora Bung Karno	77,193
Nov-18	iKON	<i>2018 Continue Tour</i>	Singapore	The MAX Pavilion@Expo	7,000
Nov-18	Winner	<i>2018 Everywhere Tour</i>	Singapore	The MAX Pavilion@Expo	7,000
Oct-18	Jason Mraz	<i>Good Vibes</i>	Singapore	National Stadium	55,000
Oct-18	Wakin Chau	<i>WAU Live 2018</i>	Singapore	National Stadium	55,000
Oct-18	Sam Smith	<i>The Thrill Of It All Tour</i>	Singapore	Singapore Indoor Stadium	12,000
Sep-18	JJ Lin	<i>Sanctuary World Tour</i>	Kuala Lumpur	Axiata Arena	16,000
Sep-18	Eric	<i>22PLUS Asia Tour 2018</i>	Kuala Lumpur, Malaysia	Axiata Arena	16,000
Sep-18	Hacken Lee	<i>30th Anniversary Concert</i>	Singapore	Resort World Ballroom	6500
Aug-18	Boyzone	<i>Boyzone Live</i>	Singapore	Singapore Indoor Stadium	12,000
Aug-18	JJ Lin	<i>Sanctuary World Tour</i>	Singapore	Singapore Indoor Stadium	8,000

Source: Company data

Resilient business despite reliance on discretionary spending. Despite concert spending being largely regarded as a form of discretionary spending, we believe it is much more resilient when compared to other forms of discretionary spending.

Concerts have evolved to become one of the main forms of entertainment for the masses, especially for the fans of the performing artistes. Most of these concerts have a track record of being sold out within minutes or hours of their launch – further justifying our stance that it does not share the same characteristics of other forms of discretionary spending.

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Strong pipeline of events into 2019 and 2020. Management has worked hard to obtain strong topline and bottomline growth over the past few years. We believe the same can be said for this year, judging from the strong pipeline of concerts and family entertainment shows slated for 2019 and 2020.

As seen in the timeline below (Figure 4), UnUsUaL is hosting a 4-night Andy Lau concert in September, which could potentially yield SGD8m in revenue and SGD2.8m in gross profits – all of which already have been fully sold. In addition, the group also organised a Westlife concert at a larger capacity venue – the National Stadium – on 10 Aug, as well as a JJ Lin show on 21&22 Dec at the same venue. The latter artiste's concerts are expected to generate SGD10m and SGD3m in revenue and gross profits per night.

UnUsUaL is also been bringing in more South Korean artistes to Singapore, eg GFriend in July, as well as fan meetings with Kang Daniel and Kim Jae Hwan. Management said it is likely to continue bringing in more popular South Korean boy and girl bands to Singapore – as well as other countries – due to the strong demand.

On the family entertainment side, UnUsUaL is bringing *Walking With Dinosaurs* to 11 cities in Asia. Comprising 117 shows, it kicks off in Singapore in August. The company is also organising 48 *Disney On Ice* shows in Taiwan and South Korea between Oct 2018 and Aug 2019.

Lastly, UnUsUaL's own intellectual property (IP)-based live set, *Apollo11 – The Immersive Live Show*, has started its North America tour. It started in Los Angeles in July. This will be followed by Costa Mesa (TBA) and Houston in December. *Apollo 11 – The Immersive Live Show* is expected to run 405 shows a year – with an audience capacity per show of 1,600 – for the next three years. We believe the strong pipeline will allow UnUsUaL to deliver a conservative NPAT CAGR of 20% in FY20F-22F.

Figure 4: Pipelines of events for 2019

Date	Show	Venue	Capacity	Expected revenue per show (SGDm)	Gross profit per show (SGDm) (GPM: 35%)	Remarks
Jul-19	<i>Apollo 11 – The Immersive Live Show</i>	Los Angeles - LUNAR DOME at the Rose Bowl	1,600	0.12	0.04	Approx. 60 shows
Aug-19	<i>Westlife The Twenty Tour</i>	Singapore - National Stadium	23,000	4.1	1.4	One show
Aug-19	<i>Walking With Dinosaurs</i>	Singapore - Singapore Indoor Stadium	12,000	1.1	0.4	10 shows
Aug-19	<i>Disney On Ice Presents Frozen</i>	Korea - Mokdong Ice Rink	5,000	0.5	0.2	20 shows
Aug-19	Kang Daniel	Singapore - Singapore Indoor Stadium	12,000	1.90	0.7	One show
Aug-19	Kang Daniel	Hong Kong - AsiaWorld-Expo	2,800	0.5	0.2	One show
Sep-19	Andy Lau	Singapore - Singapore Indoor Stadium	12,000	2.2	0.8	Four shows
Oct-19	<i>Apollo 11 – The Immersive Live Show</i>	Costa Mesa - LUNAR DOME at OC Fair & Event Centre	1,600	0.12	0.04	Approx. 60 shows
Dec-19	JJ Lin	Singapore - National Stadium	30,000	10.0	3.0	One show (potentially two shows)
Dec-19	<i>Apollo 11 – The Immersive Live Show</i>	TBA	1,600	0.12	0.04	Approx. 60 shows

Source: Company data, RHB

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Accretive and potential target by larger global peers. UnUsUaL is the market leader in Singapore. It also has a much lower multiple when compared to larger global peers. This makes the company an attractive target, especially for peers in Hong Kong/China looking for an immediate foothold in South-East Asia that can still be accretive to their valuations.

Most of UnUsUaL's listed competitors are at much higher valuations vis-à-vis the group. Consequently, the acquisition of UnUsUaL makes both financial and business sense to these larger firms. This because they should be able to replicate the group's connections with artistes that it has had long connections with, and organise concerts for them in China and the US, which is likely to enable earnings to rise significantly.

Figure 5: Peer comparison

Name	Market cap (USDm)	P/E (x)	1-FYF P/E (x)	EV/EBITDA (x)	Dividend yield (%)	ROE (%)	P/BV (x)	Total debt to total asset
UnUsUaL	209	21.8	17.0	16.1	na	24.9	5.4	7.5
Live Nation Entertainment	15,233.6	105.2	112.0	15.9	na	0.5	12.8	168.4
TV Asahi	1,758.2	14.3	15.5	5.3	2.3	3.7	0.5	0.9
Camsing International	159.3	7.1	na	46.8	1.0	36.5	2.1	0.0
Vector	413.3	na	20.3	17.1	na	-6.0	4.1	72.1
Sotsu	273.0	15.9	13.9	5.2	1.5	8.2	1.3	0.0
DMS	155.1	12.9	na	4.8	1.0	9.1	1.1	6.2
Cube Entertainment	48.1	53.3	19.4	27.5	na	6.7	3.4	0.0
Mystar Engineering Corp	58.4	8.5	na	2.0	2.6	8.0	0.7	5.0
DEAG Deutsche Entertainment	87.4	28.2	16.9	5.6	na	32.7	8.6	332.4
B'in Live	56.3	25.8	na	8.2	3.0	20.0	2.7	3.0
Kuang Hong Arts Management Corp Interamericana de Entretenimiento	61.0	12.5	na	11.5	1.5	26.9	3.1	7.1
Moment Group	12.5	na	10.5	22.8	na	-59.1	1.1	172.5
Average		30.0	29.8	13.6	1.9	7.2	3.4	

Source: Company data, RHB

Fuelling fast growth through M&A. Despite being an attractive target for many global peers, UnUsUaL also has many private counterparts it can acquire regionally. For example, it has worked with many partners around the world, and these firms could be targets it can acquire through much lower multiples, and be immediately accretive to its earnings. We believe that targets in Malaysia and Taiwan are likely favourable to UnUsUaL, both in terms of business synergies and being earnings accretive. Firms doing ticketing for concerts and events are also attractive alternatives for the company.

Figure 6: Promoters and ticketing agents (private entities)

No	Company	Country	Profile
<u>Promoters/event organisers</u>			
1	Modern Sky Entertainment	China	Modern Sky Entertainment, Mainland China's leading music entertainment company, has put on more than 20 festivals a year throughout the country as at 2014.
2	Split Works (subsidiary of Split United)	China	Split Works is an integrated music company in China. It is a subsidiary of Split United, one of the country's most influential music industry organisations.
3	Asia Music Group	-	Asia Music Group is a concert promotion company established in 2016. The promoter has provided services in China, Hong Kong, Taiwan, Singapore, Malaysia, and Thailand.
4	Lushington Entertainments	Singapore	Lushington Entertainments is an international concert promoter. It has organised a diverse portfolio of live shows, which included classical music, stand-up comedy, Asian pop/rock performances, and fun runs.
5	GHY Culture & Media (Singapore)	Singapore	Established in May 2017, GHY Culture & Media (Singapore) – previously known as Perfect World Pictures (Singapore) – is an entertainment company that caters to the production, distribution and marketing of film, television, and online content; content-related advertising; merchandising; as well as events and talent management.
<u>Ticketing agents</u>			
1	Damai.com	China	Founded in 2004, Damai.com is China's leading integrated entertainment and entertainment provider for live entertainment. The business covers concerts, dramas, musicals, and sports events, eg Qu Yuan Miscellaneous and Parent-Child, Exhibition & Leisure. The ticketing agent was acquired by Alibaba Group on 21 Mar 2017.
2	Ticketing Star	China	Ticketing Star was established in May 2001 by Shanghai Xinyuhou Culture and Sports Information. It focuses on Shanghai as the centre, radiating the Yangtze River Delta and major cities across the country, and providing ticketing marketing and event planning for cultural performances, sports events, tourism, and venues for performers, event organisers, and consumers.
3	Hong Kong Ticketing	Hong Kong	Hong Kong Ticketing provides ticketing services for a number of premier venues. It is a subsidiary of Hong Kong Convention & Exhibition Centre (Management).
4	SISTIC	Singapore	SISTIC is the ticketing service and solution provider in Singapore. It sells tickets to events ranging from pop concerts, musicals, and theatre events to family entertainment and sports.

Source: Companies websites, Others

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Cash business with minimum default rate. Ultimately, UnUsUaL runs a cash business model with tickets normally in the box office months before a concert even starts. When tickets are bought online, proceeds are collected upfront. They are not refundable unless the artiste cancels the concert or a natural disaster occurs. In that way, the rate of default is minimal for this business model, which is a good positive for shareholders.

Apollo 11 – The Immersive Live Show may be the surprise key driver. UnUsUaL partnered with Nick Grace Management Ltd to develop and produce the show, which celebrates the 50th anniversary of mankind's first steps on the moon. The first set started touring Los Angeles since 5 Jul and has achieved an average of attendance of 80% to date (7 Aug). The breakeven is 60%, and each set has a seating capacity of 1,600, with an average ticket selling price of USD65. UnUsUaL has an effective 42% stake in this project, and *Apollo 11 – The Immersive Live Show* is likely to tour Costa Mesa (TBA) after the Los Angeles leg, and Houston after that. All-in-all, we expect 7-8 shows being hosted per week, which works out to 405 shows pa.

For now, we only expect 75% average occupancy, which could potentially generate SGD8.1m in profits per year starting from FY21 onwards. If the response continues to be good, UnUsUaL will likely invest in more sets and bring the show on tour to other countries and regions like China, Europe, and even Asia – the same thing it is doing with other successful franchises like *Walking With Dinosaurs* and *Disney On Ice*. The key difference is that UnUsUaL owns the intellectual property (IP) rights for *Apollo 11 – The Immersive Live Show*, and could now earn IP revenues if it grants IP rights to other partners. This means 100% margins to the company and its partners.

Figure 7: Forecasts for Apollo 11 – The Immersive Live Show (FY20-23)

	FY20F	FY21F	FY22F	FY23F
Number of shows	144	405	405	405
Seats	1600	1600	1600	1600
Average ticket price (SGD)	65	65	65	65
Effective stake	42%	42%	42%	42%
Gross margin	40%	45%	45%	45%
Net margin	20%	20%	20%	20%
Average utilisation	75%	75%	75%	75%
Revenue (SGDm)	6.4	17.9	17.9	17.9
Gross profit (SGDm)	2.5	8.1	8.1	8.1
Net profit (SGDm)	1.7	4.8	4.8	4.8
Average utilisation	80%	80%	80%	80%
Revenue (SGDm)	6.8	19.1	19.1	19.1
Gross profit (SGDm)	2.7	8.6	8.6	8.6
Net profit (SGDm)	1.8	5.2	5.2	5.2
Average utilisation	85%	85%	85%	85%
Revenue (SGDm)	7.2	20.3	20.3	20.3
Gross profit (SGDm)	2.9	9.1	9.1	9.1
Net profit (SGDm)	1.9	5.5	5.5	5.5
Average utilisation	90%	90%	90%	90%
Revenue (SGDm)	7.6	21.5	21.5	21.5
Gross profit (SGDm)	3.1	9.7	9.7	9.7
Net profit (SGDm)	2.1	5.8	5.8	5.8

Source: RHB

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Valuation

We initiate coverage with a BUY and DCF-derived TP of SGD0.42 (WACC of 7%). Our TP implies 25.5x FY20F P/E. The stock is now trading at c.18.5x FY20F P/E.

Our DCF assumptions are:

- i. WACC of 7%;
- ii. Terminal growth rate of 1%.

Figure 8: UnUsUaL's DCF valuations

	Total (SGDm)	FY20F	FY21F	FY22F	FY23F	Terminal value
EBIT		20.7	25.3	29.2	34.9	
EBIT(1-T)		17.6	21.4	24.7	29.6	
Less: Capex		(15.0)	(5.0)	(5.0)	(5.0)	
Add: Depreciation & amortisation		2.9	4.2	4.9	5.5	
Less: Change in non-cash WC		(0.1)	(0.4)	(1.2)	(1.7)	
FCFF		5.3	20.2	23.4	28.4	477.3
Present value of FCFF		5.0	17.6	19.1	21.6	364.1
Total FCFF	427.5					
Add: Cash	3.7					
Less: Value of debt	(4.0)					
Less: Minority interest	-					
Target equity value	427.2					
Number of shares (basic)	1,029.2					
Intrinsic share price (SGD)	0.42					

Source: RHB

Figure 9: Underlying assumptions for WACC

<u>Cost of equity</u>		<u>Cost of debt</u>	
Expected market return	7%	Pre-Tax Cost of Debt	2%
Risk free	2.5%	1 - Effective Tax Rate	80%
Beta	1	Weight	1%
Weight	99%		
WACC (Estimated)	7%		

Source: RHB

Financial Forecasts

Family entertainment gives UnUsUaL a new leg for growth. As the group continues to expand regionally, we are expecting an increase in the number of shows in the promotions segment – to 51 (FY20F), 61 (FY21F), and 73 (FY22F), from 47 in FY19.

The new sub-segment – family entertainment – should further boost the number of shows to 214 for FY20F. Included in this new sub-segment forecasts are the *Walking With Dinosaurs* and *Disney On Ice* shows. We have excluded the revenue forecasts for the *Apollo 11 – The Immersive Live Show*, as the group intends to co-produce it with Nick Grace Management Ltd.

UnUsUaL did 48 and 47 promotion shows in FY18-19. Inclusive of the production segment, the total number of shows completed in those FYs stood at 141 and 180.

Figure 10: Financial forecasts (FY20-22)

	FY20F	FY21F	FY22F
Promotion segment			
Number of concerts	49	63	75
Average revenue/show (SGDm)	1.0	1.0	1.0
Revenue from concerts (SGDm)	47.4	62.8	77.0
Number of family entertainment shows	165	0	0
Average revenue/show (SGDm)	0.1	0	0
Revenue from family entertainment (SGDm)	16.1	0	0
Total number of shows	214	63	75
Total promotion segment revenue (SGDm)	63.5	62.8	77.0
Production segment			
Number of shows	82	106	128
Average revenue/show (SGDm)	0.2	0.2	0.2
Total production segment revenue (SGDm)	12.7	17.0	21.0
Others segment (SGDm)	1.1	1.4	1.7
Total revenue forecast (SGDm)	77.3	81.2	99.7

Source: RHB

Peer Comparison

UnUsUaL is the one and only group in Singapore that is both producer and promoter. There is almost no company in the domestic industry that can compete with UnUsUaL directly. However, it does face stiff competition in each segment it operates in:

- i. ONE Production (ONE) – a subsidiary of a privately-held company Rock Records Singapore (新加坡滾石唱片) – is a direct competitor. ONE has been in the concert industry for over 10 years and has brought in renowned Chinese singers and K-pop artistes like Mayday, Jam Hsiao, BTS, and Blackpink;
- ii. Other concert promoters include Midas Promotions, AEG Presents Asia, and Lushington Entertainments. Lushington Entertainments previously brought in Bruno Mars and Coldplay, and also co-promoted Ed-Sheeran's Singapore concert with AEG Presents Asia;
- iii. Competition in the production business segment includes the Showtec group, which provides a comprehensive range of technical services to support the entertainment, conferences, conventions, and exhibition industries.

Regionally, we have picked a couple of comparable listed peers (Figure 5). The industry average PE ratio is 30x, with yields of 1.9%. Given the high P/E valuations, the average ROE such companies generated was c.7.2%, which is significantly below UnUsUaL's ROE of 24.9%.

As such, we believe that the company deserves to trade at a 25.5x FY20F P/E premium vis-à-vis the industry average, 29.8x.

Key Risks

Cancellation/postponement of events. UnUsUaL would have incurred a significant amount of costs prior to an event – and these are sunk costs. The group may also have to refund the money back to concert goers. If an event is postponed, it will also incur additional costs to stage the event at an alternative date. Not only does this hit UnUsUaL's financials, the cancellations/postponements may adversely impact its reputation too.

Accidents/mishaps during an event. Although UnUsUaL has safety measures in place, accidents or mishaps can still occur. Such misfortune will disrupt the event and may expose the group to personal injury claims and hurt its reputation.

Responsible for a third party's non-performances. UnUsUaL sometimes enters into a back-to-back arrangement with an artiste's management company and third-party organisers. In the event that the latter fails/breaches its contract, the group may be responsible for compensating the artiste's management company for losses incurred. Again, this causes not only financial stress to the firm, but also reputational damage.

The departure of key employees. The success of the promotional business segment is heavily reliant upon its employees' personal relationships with the artistes – to secure the rights to organise, promote, and produce the live events and concerts. Due to this factor, if the relationship sours or there is a departure by these key employees, this could affect UnUsUaL's promotional business segment.

Company Background

UnUsUaL was founded in 1997 by two brothers, Leslie and Johnny Ong. Prior to its inception, Johnny was already in the business of trading sound, light & video equipment. Most of his customers were recording and broadcasting companies during that time. Leslie subsequently joined the business and the two brothers began their production venture, incorporating UnUsUaL Productions in 1997. As the brothers' capabilities and technical expertise widened, the business grew from handling small-scale events into managing large-scale concerts and events, such as the National Day of Singapore.

The group went on to incorporate UnUsUaL Entertainment in 2003 and started its promotion business. UnUsUaL Development was incorporated in 2005 to offer venue management services, which collaborated with owners and managers to secure venues for the group's events and concerts in advance.

UnUsUaL predominantly operates through two business segments – production and promotion. It specialises in producing and promoting large-scale live events and concerts in Singapore and the region.

The group was listed on the SGX Catalist Board on 10 Apr 2017. As part of the restructuring exercise prior to IPO, mm2 Entertainment Pte Ltd (mm2) acquired 51% of UnUsUaL from the two executive directors, Leslie and Johnny. The shares were held under mm2 subsidiary, UnUsUaL Management. After the IPO placement, UnUsUaL Management held c.82.18% of the shareholdings. mm2 subsequently sold 5.39% of its shares to Brunei's Prince Abdul Qawi and Singapore's Ron Sim's R3 Asian Gems fund in Apr 2018.

As at 19 Jul 2018, UnUsUaL Management holds 76.8% in the firm, while founders Leslie and Johnny hold 12% and 6%.

Production

UnUsUaL provides support to an artiste's team or event organisers in the setting up and installation of the concerts/events under this business segment. It has one of the largest technical equipment inventory in Singapore, providing audio, staging, lighting & video designs, and technical solutions.

Additionally, the group also provides creative solutions to event organisers for the production of a concert and/or event. UnUsUaL provides a wholesome range of services – from the conceptualisation and development of creative input to managing and overseeing the entire setting up of a production.

Its recent notable projects include the provision of technical solutions for the *Sing50* event at the National Stadium and creative input for the *28th SEA Games Carnival* at the Singapore Sports Hub in 2015. It is also a partner of the Singapore Grand Prix and annual Chingay Parade.

Promotion

Under the promotion segment, UnUsUaL oversees the planning and managing of concerts and events. It is also vital that the group builds and maintains good working relationships with the artistes and their teams – this allows the group to secure top-notch artistes and the best concerts/events. Services provided under this segment include coordination work – eg coordinating an artiste's schedule, and the appointment of relevant third-party service providers and suppliers – as well as venue assessment, ticketing management, and the marketing and promoting of a concert/event.

Figure 11: Past projects by UnUsUaL



Source: Company

Figure 12: Upcoming UnUsUaL projects



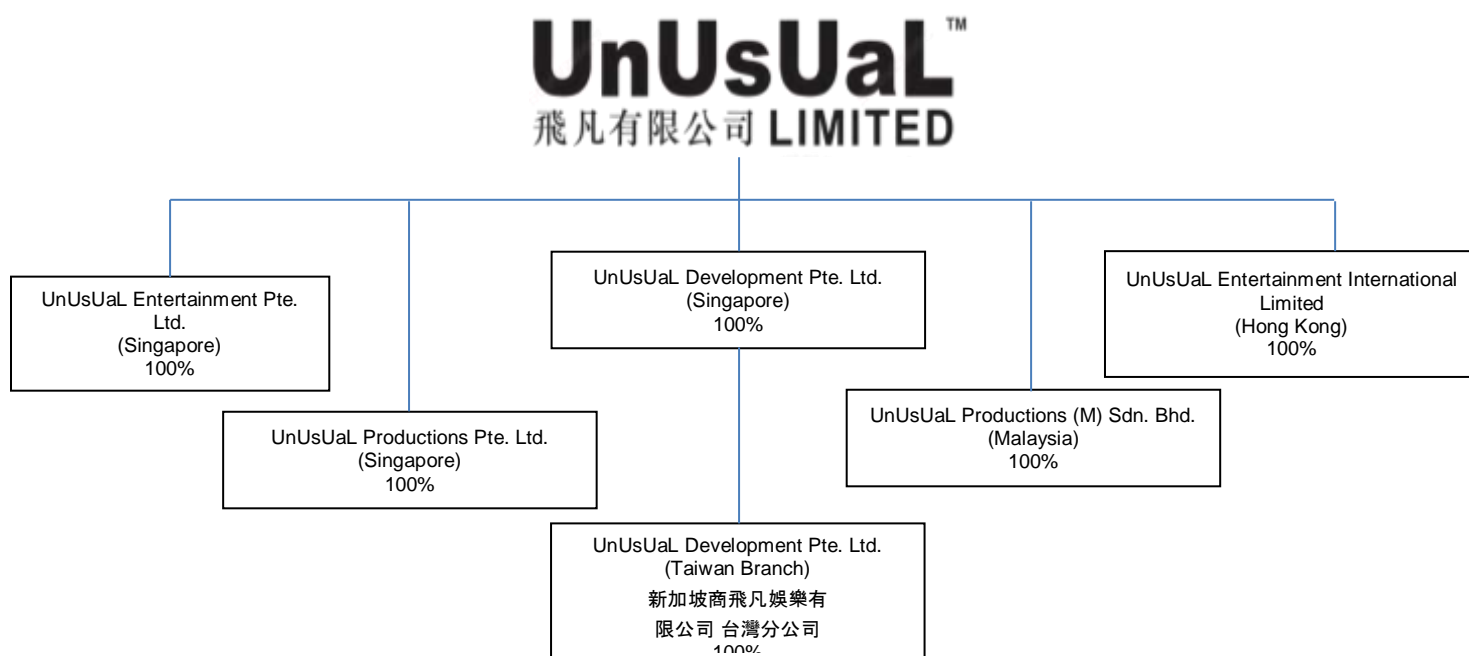
Source: Company

Figure 13: Management team

Name and appointment	Profile
Melvin Ang Wee Chye Non-executive chairman and non-independent director	Ang is also the founder, executive chairman and executive director of mm2 Asia, and is responsible for supervising the overall business operations and management of the mm2 group of companies, as well as business planning and providing executive leadership and supervision to the group's senior management team.
Leslie Ong Chin Soon Executive director and chief executive officer	Leslie is responsible for the overall management operations, strategic planning and business development of UnUsUaL. He has been with the group since its inception in 1997, and has nearly 20 years of experience in the production and promotion business. Leslie obtained his diploma in Electronic Engineering in 1988 from Ngee Ann Polytechnic.
Johnny Ong Chin Leong Executive director and chief operating officer	Johnny is responsible for the day-to-day operations of UnUsUaL, including managing the group's overall business development and operations. Together with Leslie, Johnny has been with UnUsUaL since its inception in 1997 and has nearly 20 years of experience in the production & promotion business. Johnny completed his secondary education in 1984.
Tay Joo Heng Group chief financial officer	Tay joined UnUsUaL on 8 Apr 2016 and is responsible for managing and overseeing the financial related activities of the group. He has more than 20 years of financial and operational experience in media, content production, technology, and trading industries. Tay graduated from the National University of Singapore with a degree in Accountancy in 1989 and is a member of the Institute of Singapore Chartered Accountants.

Source: Company

Figure 14: Organisational structure



Source: Company

Figure 15: UnUsUaL's involvement in notable concerts/events in 2018-2019

Date	Artiste	Event (Upcoming/Past)	Venue
Aug-19	BBC earth	Walking with Dinosaurs	Singapore
Aug-19	Westlife	The Twenty Tour	Singapore
Aug-19	Richard Clayderman	Asia Tour 2019	Singapore
Jul-19	Disney	Disney On Ice - Frozen	Singapore
Jul-19	GFriend	GO GO GFRIEND Asia Tour	Singapore
Mar-19	GEM	Queen of Hearts World Tour	San Francisco
Mar-19	Wang Leehom	Descendants of the Dragon 2060 World Tour	Malaysia
Mar-19	JJ Lin	Sanctuary World Tour	Melbourne
Mar-19	JJ Lin	Sanctuary World Tour	Sydney
Jan-19	Hacken Lee	30th Anniversary Concert	Malaysia
Jan-19	Wang Leehom	Descendants of the Dragon 2060 World Tour	Singapore
Nov-18	Guns N' Roses	Not In This Lifetime	Jakarta
Nov-18	iKON	2018 Continue Tour	Singapore
Nov-18	Winner	2018 Everywhere Tour	Singapore
Oct-18	Jason Mraz	Good Vibes	Singapore
Oct-18	Wakin Chau	WAU Live 2018	Singapore
Oct-18	Sam Smith	The Thrill Of It All Tour	Singapore
Sep-18	JJ Lin	Sanctuary World Tour	Kuala Lumpur
Sep-18	Eric	22PLUS Asia Tour 2018	Malaysia
Sep-18	Hacken Lee	30th Anniversary Concert	Singapore
Aug-18	Boyzone	Boyzone Live	Singapore
Aug-18	JJ Lin	Sanctuary World Tour	Singapore
Jun-18	Hillsong Young & Free	Hillsong United x Young & Free	Singapore
Jun-18	Eric	22PLUS Asia Tour 2018	Singapore
Jun-18	Air Supply	Air Supply	Singapore
Mar-18	Jeannie Hsieh	Sister Loves You Concert Tour	Singapore
Mar-18	Musical	Liu San Jie, The Musical	Singapore
May-18	Namie Amuro	Namie Amuro Final Tour 2018 - Finally-	Shenzhen
Mar-18	Shane Filan	Shane Filan Live	Singapore
Mar-18	Monsta X	HSBC Women's World Championship Special Show 2018	Singapore
Mar-18	Monsta X	Open Press Conference	Singapore
Feb-18	Jacky Cheung	A Classic Tour	Singapore

Source: Company

Business Analysis

Revenue grew at a CAGR of 25.3% between FY13 and FY19. UnUsUaL's three core business segments are:

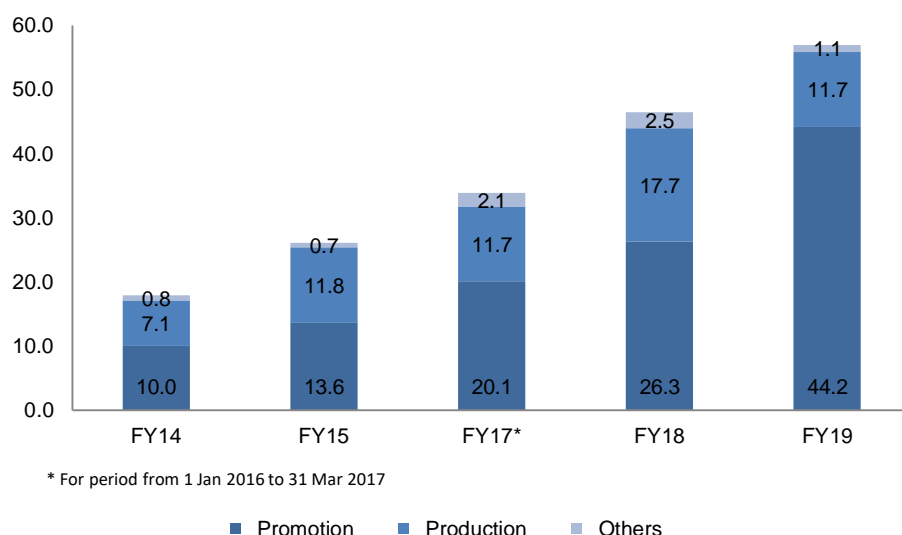
- i. Promotion;
- ii. Production;
- iii. Others.

Others' topline includes revenue derived from the rental of equipment and management of a venue.

UnUsUaL's revenue has grown 29.8% on average over the last three financial years (FY17-19). The main driver is the promotion income, which doubled to SGD44.2m in FY19 from SGD20.1m in FY17. Growth came from regional and local market expansion via the penning down of multi-show deals with regionally well-known brands and artists.

Additionally, the group has also taken on bigger projects, which have resulted in higher revenue.

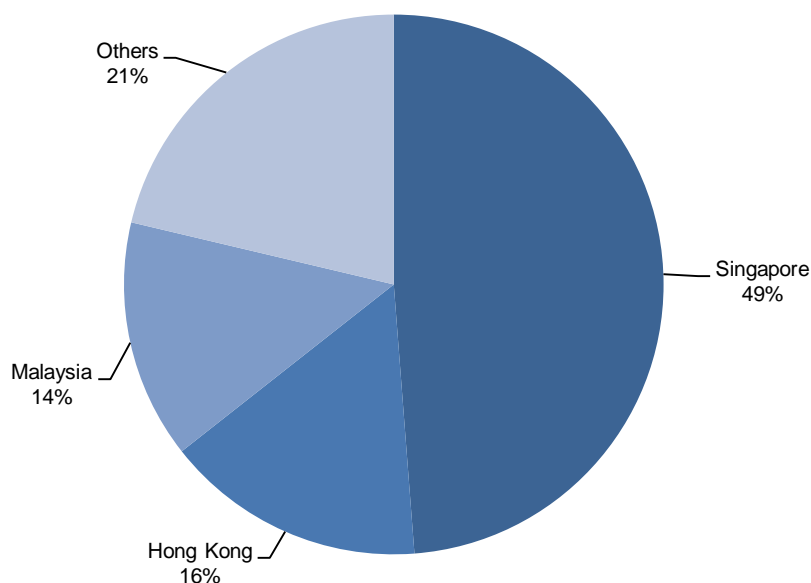
Figure 16: Revenue by segments



Source: Company data

Expanding China presence. UnUsUaL acquired a 49% equity interest in Beijing Wish Entertainment Co Ltd in FY18. The latter is an existing promoter and should be value-adding for the group by providing on-the-ground opinions with regards to potential project and partnership deals. UnUsUaL continues to view the Hong Kong and China markets favourably, and sees potentially better returns on high-quality event productions and concert promotions within this region.

Figure 17: Geographical revenue

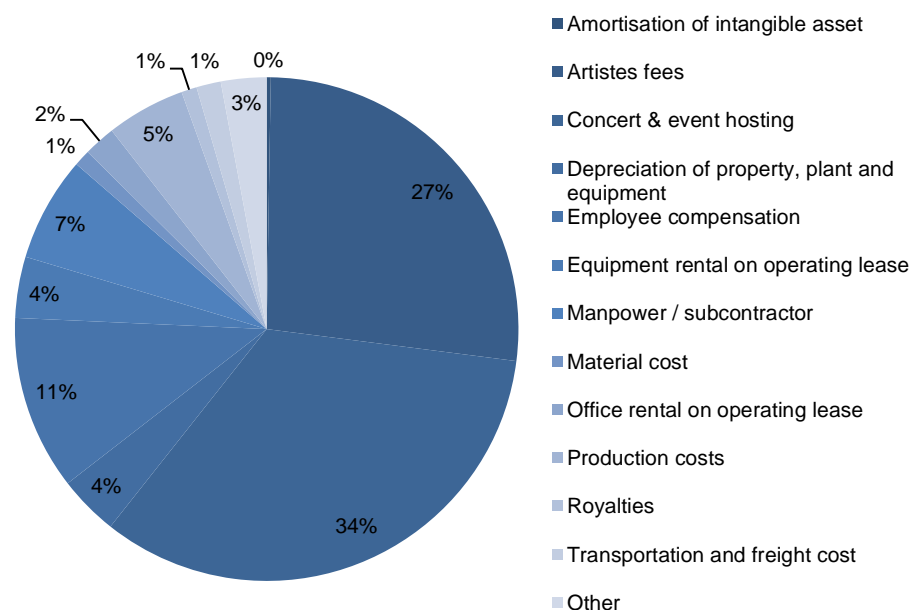


Source: Company data

GP was up 28.5% in FY19 to SGD23m in FY19 from SGD17.9m in FY18 due to increased revenue and growing topline on higher-margin services. Gross margins improved to 40.4% in FY19 vs 38.6% in FY18. Cost of sales components for UnUsUaL mainly comprises:

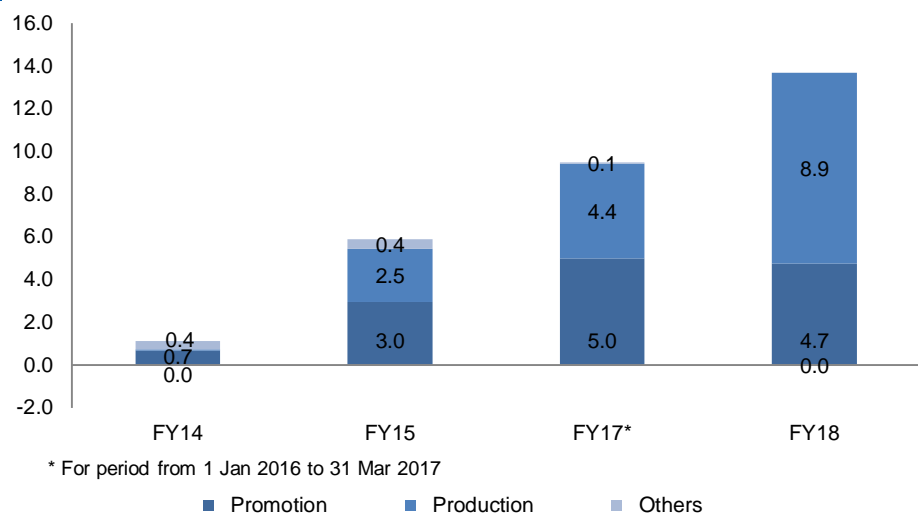
- i. Subcontracting costs;
 - ii. Production crew payroll;
 - iii. Rental of equipment;
 - iv. Costs of rights and marketing;
 - v. Advertising costs...
- ...amongst others.

Figure 18: Total cost of sales and administrative expenses (FY18)



Source: Company data

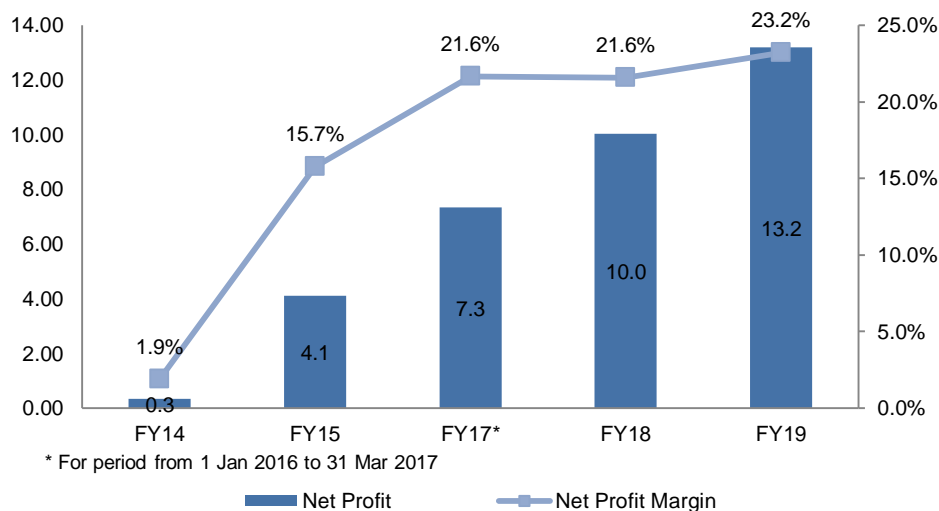
Figure 19: Segmental EBITDA (SGDm) FY14-18



Source: Company data

Net profit hits record highs every year. UnUsUaL has outdone itself each year by hitting new record levels of earnings annually on both organic and inorganic growth. The group has also been able to achieve higher NPMs. Net profit for FY14-19 stood at SGD0.34m, SGD4.11m, SGD7.34m, SGD10.02m, and SGD13.19m.

Figure 20: Net profit (SGDm) and NPM (%)



Source: Company data

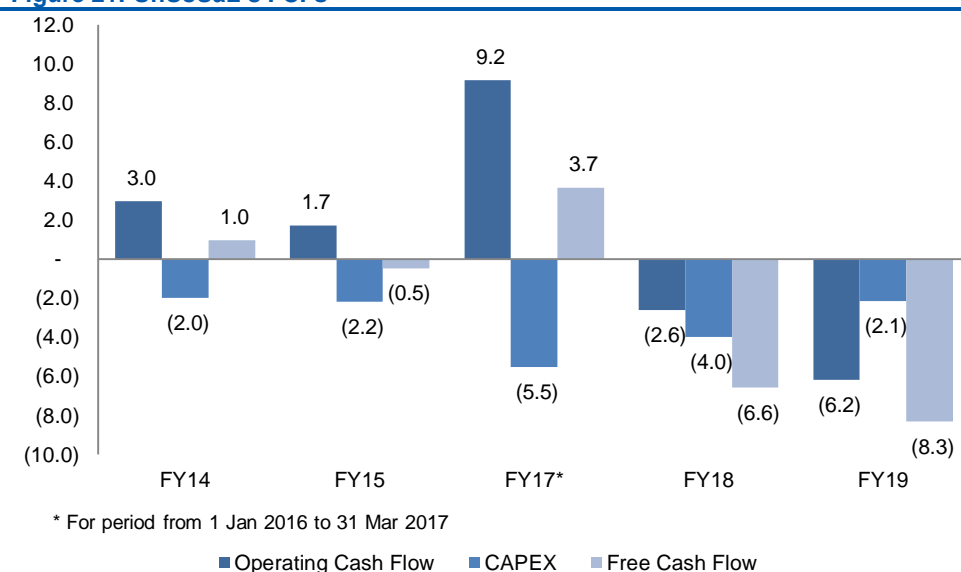
Positive FCF in the next 1-2 years. As UnUsUaL is expanding rapidly into new content and IPs, the group will incur a substantial amount of capex in the initial stages. We expect FCF to return to the positive territorial in the next 1-2 years once these initiatives start generating returns.

Additionally, the core business segments are also cash flow generative. For example, concertgoers usually purchase concert tickets in advance, and the money collected by the ticketing agent will be kept in an escrow account. The funds will then be released to UnUsUaL upon completion of the concert.

Operating cash flow before working capital changes for FY19 was SGD18.1m. Due to higher operating activities, SGD22.5m was used in net working capital – as a result, the group generated net cash outflow of SGD6.2m from operating activities during this period. UnUsUaL has also been investing in equipment post listing. In total, the group spent c.SGD11.7m in FY17-19.

UnUsUaL does not have any dividend policy and has not given out any dividends since its 2017 listing. It is in a small net debt position of SGD0.3m as at 31 Mar 2019.

Figure 21: UnUsUaL's FCFs



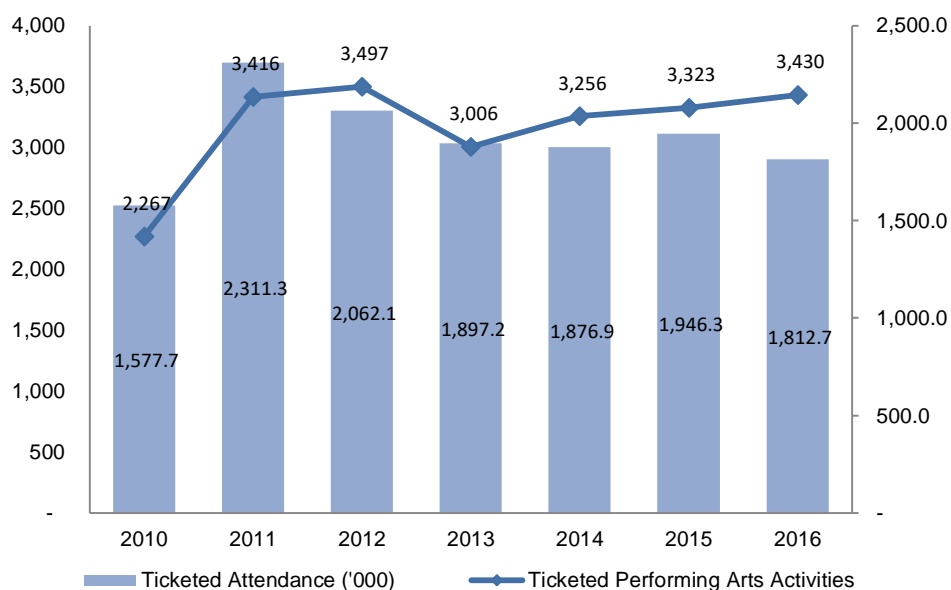
Source: Company data

Industry Overview

Growing arts and cultural scene in Singapore. Data from Ministry of Culture, Community & Youth has shown that there is an increasing appreciation for performing arts in Singapore. Ticketed events have increased to 3,430 in 2016 from 2,267 in 2010. The new addition of musicals like *"The Lion King"* – which were brought in along with the opening of the country's integrated resorts in 2011 – has spiked up the number of such performances in 2011 and 2012. Congruently, the initial spike effect has resulted in a slight decrease in the number of ticketed performances in 2013.

Another factor is the move by the Government to allow free entry into museums for Singaporeans and permanent residents. Museum visitor numbers went up to 3.2m in 2013 vs only 2.8m in 2012. Correspondingly, ticketed attendances stood at 1.8m in 2016, up from 1.6m in 2010.

Figure 22: Ticketed performing arts activities and attendance



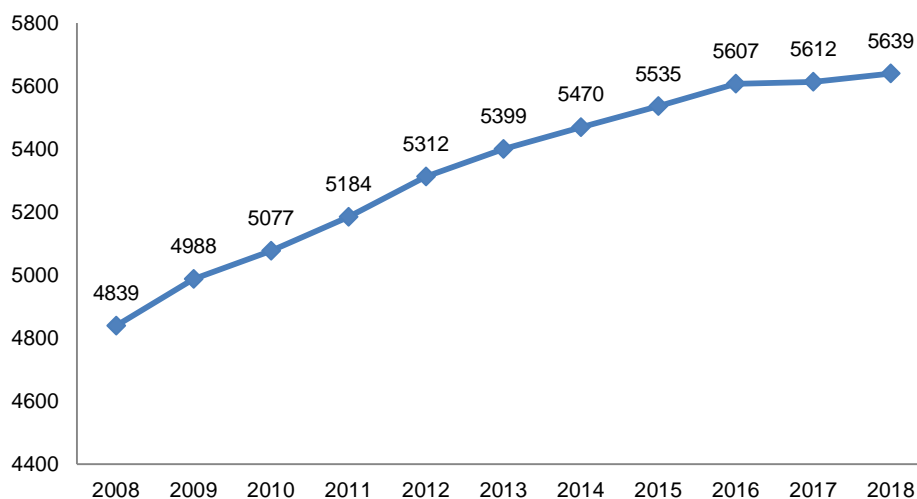
Source: Singapore Cultural Statistics 2017

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Consumer Discretionary | Media & Entertainment

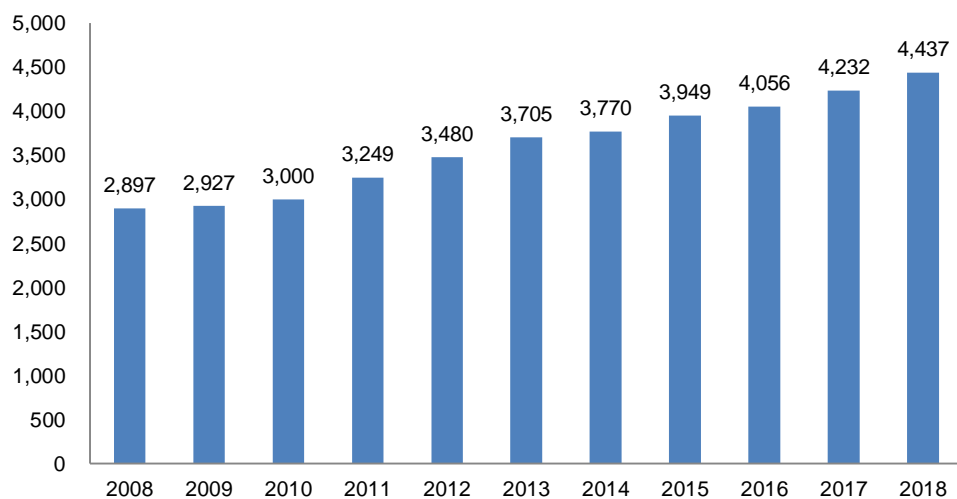
Growing population and rising median income. Singapore's population has been growing at a steady pace – reading a record high 5.64m in 2018. Data retrieved from the Manpower Ministry shows that median income in the country has risen to SGD4,437 in 2018 from SGD2,897 in 2008. This suggests that the disposable income of Singapore's residents has also increased over time, which leads to a more affluent lifestyle. A growing and rising median income population creates bigger market opportunities for the entertainment industry.

Figure 23: Singapore's population ('000)



Source: Department of Statistics Singapore

Figure 24: Median gross monthly income from work (including employer CPF contributions) of full-time employed residents (SGD)



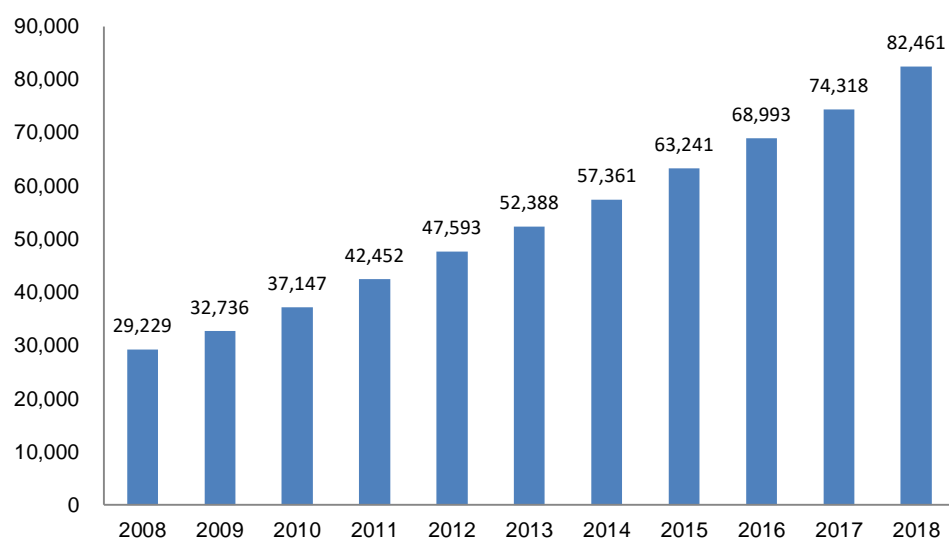
Source: Ministry of Manpower

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China's exploding middle class. The demand for quality lifestyle is getting higher and higher in China in an era of an exploding middle class. The average annual wage in China grew to CNY74,318 from CNY29,229 in a span of just nine years.

Figure 25: China average yearly wages (CNY)



Source: Trading Economics

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