

Company Note

Singapore

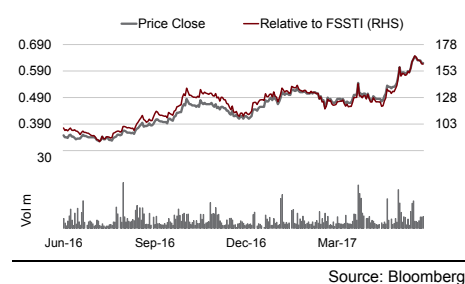
ADD (no change)

Consensus ratings*:	Buy 2	Hold 0	Sell 0
Current price:	S\$0.62		
Target price:	S\$0.72		
Previous target:	S\$0.65		
Up/downside:	16.9%		
CIMB / Consensus:	7.3%		
Reuters:	MM2A.SI		
Bloomberg:	MM2 SP		
Market cap:	US\$470.3m	S\$650.2m	
Average daily turnover:	US\$1.65m	S\$2.31m	
Current shares o/s:	1,050m		
Free float:	36.4%		

*Source: Bloomberg

Key changes in this note

- FY18F EPS increased by 18.1%.
- FY19F EPS increased by 18.2%.
- FY20F EPS increased by 18.7%.



Price performance	1M	3M	12M
Absolute (%)	17	30.5	83.7
Relative (%)	16.9	27	66.8

Major shareholders	% held
Wee Chye Ang	45.9
Yeo Khee Seng	9.2
Starhub Ltd	8.6

Analyst(s)



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mm2 Asia

A Gold Class acquisition

- mm2 entered into conditional S&P agreement for 50% stake of Singapore-based GV cinema business, for purchase consideration of S\$184.3m.
- As a cinema operator with 44% market share in Singapore, GV is a prized asset that comes with quality facilities, prime locations and superior profitability.
- At 10.5x FY16 EBITDA and 14.7x FY16 P/E, S\$184.3m seems pricey relative to previous cinema acquisitions in Malaysia.
- Stake acquisition to be funded by both debt and equity, which would raise EPS and net gearing, depending on the final financing structure.
- Our SOP-based target price rises to S\$0.72 to reflect the higher EPS; maintain Add.

Acquiring 50% stake in Golden Village Singapore cinemas

On 13 June 2017, mm2 announced the signing of a conditional share sale and purchase (S&P) agreement with Village Cinemas Australia, a subsidiary of Village Roadshow Limited (VRL AU, Not Rated), for a 50% stake in the Golden Village (GV) cinema business in Singapore. This proposed acquisition not only builds up a recurring income stream for the company and complements its current cinema operations, but also extends its presence beyond Malaysia.

Becoming a market leader in Singapore cinema exhibition

Established since 1992, GV is Singapore's leading cinema exhibitor with 44% market share (based on box office receipts), followed by Cathay Cineplexes and Shaw Theatres. It currently owns 11 cinemas and 91 screens, and plans to open three more cinemas in SingPost, Bedok and Funan respectively, over the next three years. Apart from opening new cinema sites, we expect GV to sustain its steady earnings growth, underpinned by a strong film pipeline and improved movie experience.

Better quality assets comes with slight premium

The 50% stake comes with a price tag of S\$184.3m, which implies 10.5x FY16 EBITDA and 14.7x FY16 P/E. GV's quality cinema assets, coupled with strategic locations and superior profitability, could explain the higher valuation (vs. 9.8x EBITDA for mm2's previous purchase of 13 Lotus Fivestar cinemas). The purchase consideration also translates to S\$4m (RM12.5m) per screen, significantly higher than the cost per screen for Cathay (RM1.3m), Mega (RM1.7m) and Lotus (RM1.1m).

Sizeable deal to be partially financed by debt and equity

We expect the deal to be financed by a mix of debt and equity, and estimate an end-3Q18 completion date. In our scenario analysis, we explore various funding structures that the company might adopt, and believe a 55/45 debt-to-equity is likely. Assuming a 2% interest cost and new share issuance at the last traded price of S\$0.62, this could raise its FY18 EPS by 18.1% and hike its net gearing ratio to 63.0%. With a seemingly stretched balance sheet, funding future acquisitions may become a concern, in our view.

TP rises on higher EPS; Add rating intact

As we factor in potential earnings contribution from the GV Singapore business (as a line item under share of revenue from joint venture), our FY18-20 EPS estimates increase by 18.1-18.7%, offsetting additional financing costs and new share dilution. Our SOP-based target price hence rises to S\$0.72. We keep our Add rating. Earnings-accretive M&As and stronger earnings delivery are potential catalysts, while unexpected production delay, cost overruns and unfavourable deal financing could pose downside risks to our Add call.

Financial Summary

	Mar-16A	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Revenue (S\$m)	38.3	95.4	141.8	168.6	187.0
Operating EBITDA (S\$m)	19.07	40.93	65.93	79.75	98.41
Net Profit (S\$m)	8.18	18.82	30.62	41.04	46.82
Core EPS (S\$)	0.009	0.018	0.028	0.035	0.040
Core EPS Growth	50.3%	94.3%	54.6%	25.6%	14.1%
FD Core P/E (x)	69.87	34.53	22.33	17.79	15.60
DPS (S\$)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	28.71	15.69	12.59	11.08	8.88
P/FCFE (x)	NA	NA	NA	NA	117.1
Net Gearing	(4.6%)	(14.9%)	63.0%	50.6%	35.6%
P/BV (x)	15.15	7.51	3.72	3.08	2.57
ROE	29.5%	30.7%	21.7%	18.9%	17.9%
% Change In Core EPS Estimates			18.1%	18.2%	18.7%
CIMB/consensus EPS (x)			1.32	1.20	1.99

SOURCE: COMPANY DATA, CIMB FORECASTS

Figure 1: Scenario analysis of 50% GV Singapore stake acquisition

Key acquisition details of 50% stake in GV Singapore									
Proposed stake:	50%	Purchase consideration (S\$m):	184.3						
FY16 earnings (S\$m)	12.6	Implied PE (x):	14.7						
FY16 EBITDA (S\$m)	17.6	Implied EV/EBITDA (x):	10.5						
Assume completion of acquisition by 2QFY12/18									
Possible scenarios of financing structure									
Deposit (S\$m by cash)	8.0								
% debt	0.0%	20.0%	30.0%	40.0%	50.0%	55.0%	60.0%	100.0%	
Borrowings (S\$m)	-	35.3	52.9	70.5	88.1	96.9	105.8	176.3	
Assuming 2% interest cost:	-	0.4	0.6	0.8	1.0	1.1	1.2	2.1	
	FY17	FY18F							
Net gearing ratio (%)	-11.6%	11.7%	26.2%	34.9%	44.9%	56.6%	63.0%	70.3%	162.0%
% new shares	100.0%	80.0%	70.0%	60.0%	50.0%	45.0%	40.0%	0.0%	
New amount raised (S\$m)	176.3	141.0	123.4	105.8	88.1	79.3	70.5	-	
New shares (m)	284.3	227.4	199.0	170.6	142.1	127.9	113.7	-	
Last traded price (S\$) as of 13-6-17	0.62								
No. of shares outstanding (m):	1049.7								
Enlarged share base (m):	1,334.0	1,277.1	1,248.7	1,220.3	1,191.8	1,177.6	1,163.4	1,049.7	
Weighted average share base (m)	1,168.2	1,144.5	1,132.6	1,120.8	1,108.9	1,103.0	1,097.1	1,049.7	
FY18F	PATMI (S\$m)		EPS (Scts)						
Before acquisition	24.8	2.35							
After acquisition (before financing costs)	31.8	2.72	2.74	2.75	2.76	2.77	2.78	2.83	
% accretion/ (dilution):	27.8%	15.7%	16.5%	17.0%	17.4%	17.9%	18.1%	20.4%	

SOURCES: CIMB, COMPANY REPORTS

Figure 2: Based on SOP valuation, we derive a higher target price of S\$0.72 for mm2

Net profit breakdown by segment	Stake	FY3/18	FY3/19	CY18	Applied PE multiple (x)	Valuation basis	CY18F Value (S\$m)	Per share (S\$)
Core production and distribution	100.0%	18.3	22.9	21.7	22	10% premium to average	486.3	0.41
Post-production	51.0%	2.0	2.0	2.0	22	10% premium to average	22.6	0.02
Cinema operations	100.0%	7.1	12.0	10.7	20	On par with peers' average	214.8	0.18
Unusual Productions	41.9%	10.2	12.5	11.9	26	40% discount to average	129.6	0.11
Total		37.5	49.3	46.3			853.3	0.72
PATMI		30.6	41.0	38.4				
Shares outstanding (m)							1,177.6	
Equity Value per share (S\$)								0.72
Implied CY18 P/E based on TP								22.2

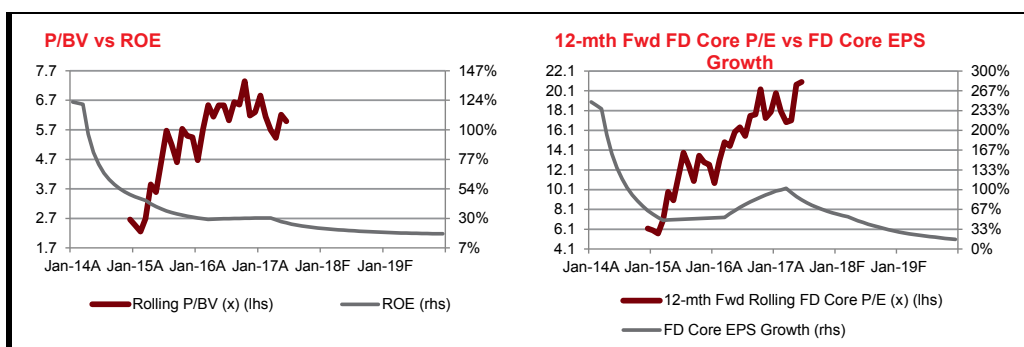
SOURCES: CIMB, COMPANY REPORTS

Figure 3: Peers Comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		Dividend Yield (%)	
						CY17F	CY18F		CY17F	CY18F	CY17F	CY18F	CY17F	CY18F
mm2 Asia	mm2 SP	ADD	0.62	0.72	470	24.5	18.7	26.3%	4.2	3.2	22.7%	19.3%	na	na
Movie/ TV production														
Spackman Entertainment Group L	SEG SP	Not rated	0.14	na	48	10.3	10.3	na	2.6	2.1	35.1%	29.7%	1.0%	1.0%
Alibaba Pictures Group Ltd	1060 HK	Not rated	1.33	na	4,304	na	na	na	na	na	na	na	na	na
Zhejiang Talent Television & F	300426 CH	Not rated	25.99	na	1,529	30.9	23.2	50.0%	7.0	5.3	25.3%	25.7%	0.2%	0.3%
Zhejiang Huace Film & TV Co Lt	300133 CH	Not rated	11.51	na	2,957	30.4	24.8	23.9%	2.9	2.6	9.2%	10.1%	0.3%	0.4%
HMV Digital China Group Ltd	8078 HK	Not rated	0.29	na	492	na	na	na	na	na	na	na	na	na
Huayi Brothers Media Corp	300027 CH	Not rated	8.29	na	3,397	27.5	23.1	9.1%	2.4	2.2	6.7%	8.7%	0.5%	0.6%
CJ E&M Corp	130960 KS	Not rated	78,700	na	2,701	22.2	18.9	42.6%	1.8	1.7	8.5%	9.5%	0.4%	0.4%
Simple average						24.3	20.1	31.4%	3.3	2.8	17.0%	16.7%	0.5%	0.5%
Cinema Theatres														
Village Roadshow Ltd	VRL AU	Not rated	3.70	na	451	17.3	12.7	6.8%	1.8	1.6	6.9%	9.6%	4.1%	5.6%
Wanda Film Holding Co Ltd	002739 CH	Not rated	58.92	na	10,177	36.3	27.9	na	5.8	4.9	16.1%	18.0%	0.6%	0.7%
IMAX China Holding Inc	1970 HK	Add	32.25	41.52	1,475	28.5	22.6	28.3%	6.0	4.6	23.7%	23.1%	0.0%	0.0%
Orange Sky Golden Harvest Ente	1132 HK	Not rated	0.86	na	303	na	na	na	na	na	na	na	na	na
Major Cineplex Group PCL	MAJOR TB	Hold	33.00	36.33	870	23.3	19.9	26.6%	4.2	4.1	18.2%	20.8%	4.1%	4.4%
SHOWBOX Corp	086980 KS	Not rated	5750	na	319	26.6	20.7	na	2.6	2.4	10.3%	11.9%	0.9%	0.9%
Regal Entertainment Group	RGC US	Not rated	20.48	na	3,215	16.4	15.0	na	na	na	-24.9%	-31.9%	4.4%	4.5%
Simple average						24.8	19.8	20.6%	4.1	3.5	8.4%	8.6%	2.3%	2.7%
Concert/ Events production														
Live Nation Entertainment Inc	LYV US	Not rated	35.68	na	7,336	264.3	87.2	na	5.6	4.8	1.6%	5.0%	0.0%	0.0%
YG Entertainment Inc	122870 KS	Not rated	32200	na	519	19.6	22.0	21.6	2.0	1.9	10.1%	8.7%	0.9%	0.8%
Media Asia Group Holdings Ltd	8075 HK	Not rated	0.30	na	81	na	na	na	na	na	na	na	na	na
SMC Entertainment Inc	SMCE US	Not rated	0.00	na	0	na	na	na	na	na	na	na	na	na
SM Entertainment Co	041510 KS	Not rated	26550	na	512	40.9	20.1	111.6	1.7	1.6	4.1%	7.9%	0.0%	0.0%
FNC Entertainment Co Ltd	173940 KS	Not rated	8210	na	104	na	na	na	na	na	na	na	na	na
Simple average						108.2	43.1	66.6%	3.1	2.7	5.3%	7.2%	0.3%	0.3%
Simple average (overall excluding mm2)						52.4	27.7	39.5%	3.5	3.0	10.2%	10.8%	1.0%	1.2%

SOURCES: CIMB, COMPANY REPORTS, BLOOMBERG

BY THE NUMBERS



Profit & Loss

(S\$m)	Mar-16A	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Total Net Revenues	38.34	95.37	141.85	168.56	187.01
Gross Profit	18.39	45.25	65.97	79.11	87.43
Operating EBITDA	19.07	40.93	65.93	79.75	98.41
Depreciation And Amortisation	(8.98)	(14.84)	(23.24)	(26.67)	(37.15)
Operating EBIT	10.09	26.09	42.69	53.08	61.26
Financial Income/(Expense)	(0.39)	(0.62)	(4.10)	(6.00)	(6.00)
Pretax Income/(Loss) from Assoc.	0.00	(0.01)	7.58	13.00	13.00
Non-Operating Income/(Expense)	0.29	0.43	0.00	0.00	0.00
Profit Before Tax (pre-EI)	9.99	25.90	46.17	60.08	68.26
Exceptional Items					
Pre-tax Profit	9.99	25.90	46.17	60.08	68.26
Taxation	(1.10)	(3.85)	(8.68)	(10.81)	(12.29)
Exceptional Income - post-tax					
Profit After Tax	8.90	22.05	37.49	49.26	55.98
Minority Interests	(0.72)	(3.23)	(6.87)	(8.22)	(9.16)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	8.18	18.82	30.62	41.04	46.82
Recurring Net Profit	8.18	18.82	30.62	41.04	46.82
Fully Diluted Recurring Net Profit	8.18	18.82	30.62	41.04	46.82

Cash Flow

(S\$m)	Mar-16A	Mar-17A	Mar-18F	Mar-19F	Mar-20F
EBITDA	19.07	40.93	65.93	79.75	98.41
Cash Flow from Inv. & Assoc.	0.00	0.01	(7.58)	(13.00)	(13.00)
Change In Working Capital	(22.57)	(30.77)	(35.46)	(58.74)	(55.82)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	0.12	(0.02)	0.00	0.00	0.00
Other Operating Cashflow					
Net Interest (Paid)/Received	(0.38)	(0.60)	(4.10)	(6.00)	(6.00)
Tax Paid	(0.09)	(1.96)	(8.68)	(10.81)	(12.29)
Cashflow From Operations	(3.84)	7.58	10.11	(8.81)	11.30
Capex	(0.59)	(5.80)	(3.00)	(3.00)	(5.00)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(7.71)	(20.04)	(241.04)	0.00	0.00
Other Investing Cashflow	(0.23)	(0.19)	0.00	0.00	0.00
Cash Flow From Investing	(8.53)	(26.03)	(244.04)	(3.00)	(5.00)
Debt Raised/(repaid)	2.30	17.76	136.84	9.94	(0.06)
Proceeds From Issue Of Shares	9.10	18.04	79.30	0.00	0.00
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	11.39	35.80	216.14	9.94	(0.06)
Total Cash Generated	(0.97)	17.35	(17.79)	(1.87)	6.24
Free Cashflow To Equity	(10.07)	(0.69)	(97.09)	(1.87)	6.24
Free Cashflow To Firm	(11.98)	(17.84)	(229.83)	(5.81)	12.30

SOURCE: CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS... cont'd

Balance Sheet

(S\$m)	Mar-16A	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Total Cash And Equivalents	4.74	25.76	15.54	26.67	45.91
Total Debtors	24.42	46.39	55.96	66.50	73.78
Inventories	0.26	0.58	0.58	0.58	0.58
Total Other Current Assets	9.83	23.26	34.93	62.89	84.90
Total Current Assets	39.25	95.98	107.02	156.64	205.17
Fixed Assets	3.65	11.25	11.25	11.25	11.25
Total Investments	0.00	1.49	1.49	1.49	1.49
Intangible Assets	25.28	53.14	305.10	318.67	330.78
Total Other Non-Current Assets	0.80	1.14	1.53	7.20	10.44
Total Non-current Assets	29.73	67.02	319.37	338.61	353.96
Short-term Debt	0.20	11.12	11.12	11.12	11.12
Current Portion of Long-Term Debt					
Total Creditors	24.41	49.02	59.88	70.48	78.39
Other Current Liabilities	3.61	6.93	6.93	6.93	6.93
Total Current Liabilities	28.22	67.06	77.92	88.52	96.43
Total Long-term Debt	2.85	0.58	137.48	147.48	147.48
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0.00	0.00	0.00	0.00	0.00
Total Non-current Liabilities	2.85	0.58	137.48	147.48	147.48
Total Provisions	0.75	0.97	0.97	0.97	0.97
Total Liabilities	31.82	68.60	216.37	236.97	244.87
Shareholders' Equity	36.19	86.46	196.38	237.42	284.24
Minority Interests	0.98	7.94	14.81	23.03	32.19
Total Equity	37.17	94.40	211.19	260.46	316.43

Key Ratios

	Mar-16A	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Revenue Growth	58%	149%	49%	19%	11%
Operating EBITDA Growth	93%	115%	61%	21%	23%
Operating EBITDA Margin	49.8%	42.9%	46.5%	47.3%	52.6%
Net Cash Per Share (S\$)	0.00	0.01	(0.11)	(0.11)	(0.10)
BVPS (S\$)	0.04	0.08	0.17	0.20	0.24
Gross Interest Cover	26.07	42.42	10.41	8.85	10.21
Effective Tax Rate	11.0%	14.9%	18.8%	18.0%	18.0%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Accounts Receivables Days	214.8	135.5	131.7	132.6	137.3
Inventory Days	2.42	3.07	2.79	2.36	2.13
Accounts Payables Days	356.1	262.9	258.9	263.4	271.3
ROIC (%)	64.5%	72.0%	53.5%	15.5%	15.7%
ROCE (%)	32.4%	35.2%	18.3%	13.6%	13.7%
Return On Average Assets	17.4%	19.5%	14.1%	12.0%	11.8%

Key Drivers

	Mar-16A	Mar-17A	Mar-18F	Mar-19F	Mar-20F
TV Adex Rate (% Change)	N/A	N/A	N/A	N/A	N/A
Average Utilisation Rate (%)	N/A	N/A	N/A	N/A	N/A
Prime Time Utilisation Rate (%)	N/A	N/A	N/A	N/A	N/A
Non Prime Time Utilisation Rate (%)	N/A	N/A	N/A	N/A	N/A
Programming Costs (% Change)	28.5%	85.3%	22.3%	25.2%	15.0%
Newsprr adex rev. grth (%)	0.0%	158.1%	5.0%	5.0%	5.0%
Newspaper ASP (% Change)	N/A	N/A	N/A	N/A	N/A
Newsprr circulation grth (%)	N/A	N/A	N/A	N/A	N/A
Newsprint Cost (% Change)	N/A	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

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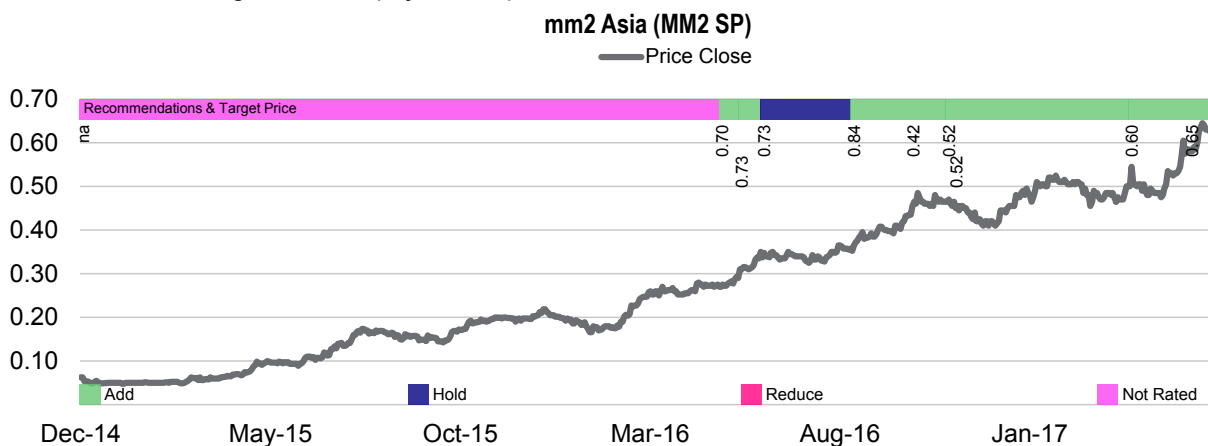
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Hold	30.0%	1.6%
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Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2016, Anti-Corruption 2016

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Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.