

# Singapore Company Guide

## mm2 Asia

Version 8 | Bloomberg: MM2 SP | Reuters: MM2A.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

15 Nov 2016

### BUY

Last Traded Price ( 14 Nov 2016): S\$0.455 (STI : 2,787.27)

Price Target 12-mth: S\$0.56 (23% upside)

Potential Catalyst: Earnings-accretive acquisitions

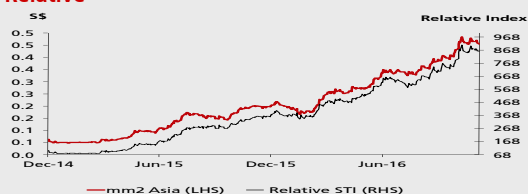
#### Analyst

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#### What's New

- **1H17 earnings doubled; North Asia accounted for 71% of 1H17 revenue**
- **UnUsUal to strengthen network**
- **Cinemas to build recurring income base**
- **Maintain BUY with TP of S\$0.56**

#### Price Relative



#### Forecasts and Valuation

FY Mar (\$\$ m)	2016A	2017F	2018F	2019F
Revenue	38.3	99.2	143	174
EBITDA	19.4	31.6	41.7	47.9
Pre-tax Profit	9.99	22.2	29.9	36.2
Net Profit	8.90	18.4	24.9	30.0
Net Pft (Pre Ex.)	8.90	18.4	24.9	30.0
Net Pft Gth (Pre-ex) (%)	73.4	107.1	34.9	20.8
EPS (S cts)	0.98	1.76	2.37	2.86
EPS Pre Ex. (S cts)	0.98	1.76	2.37	2.86
EPS Gth Pre Ex (%)	59	79	35	21
Diluted EPS (S cts)	0.98	1.76	2.37	2.86
Net DPS (S cts)	0.0	0.0	0.0	0.0
BV Per Share (S cts)	4.00	6.93	9.31	12.2
PE (X)	46.2	25.9	19.2	15.9
PE Pre Ex. (X)	46.2	25.9	19.2	15.9
P/Cash Flow (X)	nm	30.4	20.3	14.6
EV/EBITDA (X)	21.2	14.6	11.6	9.8
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	11.4	6.6	4.9	3.7
Net Debt/Equity (X)	CASH	CASH	0.1	CASH
ROAE (%)	32.1	33.8	29.2	26.7

Earnings Rev (%): - - NEW  
 Consensus EPS (S cts): 1.80 2.20 2.30  
 Other Broker Recs: B: 2 S: 0 H: 0

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

### Growth intact

**Growth supported by core business; cinemas to build recurring income.** We project mm2 to grow at an EPS CAGR of 50% from FY16-FY19, underpinned by growth in productions, expansion into the China market, and contributions from cinema operations and entertainment company, UnUsUal Group. Contribution from the newly proposed acquisition of 13 cinemas in Malaysia, which would propel mm2 Asia to become a top four player in Malaysia, is expected to be from FY18F onwards. In terms of its core production business, we expect North Asia, including China, Hong Kong and Taiwan, to contribute >70% of core revenue from FY17F, up from 23% in FY16. Upside to earnings could come from more projects, especially in China where budgets are much higher.

**1H17 earnings doubled.** mm2 reported a net profit of S\$8.9m (+97% y-o-y) for 1H17. We expect a stronger 2H, mainly from the full impact from UnUsUal and the Mega cinemas acquired.

**UnUsUal listing.** The successful listing of UnUsUal, which mm2 acquired at 10.2x PE back in February 2016, would enable mm2 to crystallise gains and unlock value, and allow UnUsUal to tap on public funds for expansion.

#### Valuation:

**Maintain BUY and TP of S\$0.56.** We maintain our earnings forecasts for FY17F and FY18F but we have removed the revenue from the Distribution segment, to be in line with the group's reporting format. We have also added forecasts for FY19F. Maintain BUY. Our TP of S\$0.56 is pegged to FY18F earnings and peers' average of 24x.

#### 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)	1,029
Mkt. Cap (S\$m/US\$m)	468 / 331
Major Shareholders (%)	
Wee Chye Ang	45.9
Yeo Khay Seng	9.2
Starhbu Ltd	8.6
Free Float (%)	36.4
3m Avg. Daily Val (US\$m)	1.2
ICB Industry : Consumer Services / Media	

## WHAT'S NEW

### mm2 Asia – 1H17 results in line

#### Results highlights

**1H17 earnings doubled.** mm2 reported a net profit of S\$8.9m (+97% y-o-y) for 1H17, which accounted for 48% of our FY17F earnings of S\$18.4m. We expect a stronger 2H, mainly from full impact from UnUsUal and the Mega cinemas acquired. Revenue surged 176% to S\$35m. The increase in revenue was mainly due to newly acquired UnUsUal and additional revenue generated from the cinema business. On top of that, the revenue of its core business increased by 104.7% to approximately S\$21.7m in 1H17.

In terms of segmental breakdown, the core business of production and distribution accounted for 62% of total revenue; 15% was contributed by UnUsUal; cinemas accounted for 17% and the balance 6% from post-production activities. In 1H16, there were only two segments – core business and post-production, which accounted for 83% and 17% of total revenue respectively.

**North Asia accounted for 71% of 1H17 revenue.** In terms of geographical breakdown for its core business, North Asia accounted for 71% of 1H17 revenue, which includes one TV series and two movies. The balance 29% were from Singapore and Malaysia, contributed by three movies. In 1H16, North Asia accounted for only 21% of total revenue.

#### Outlook

**Increasing focus on North Asia.** We expect North Asia, including China, Hong Kong and Taiwan, to contribute >70% of core revenue from FY17F, up from 23% in FY16. Of the 35 projects slated for production from April 2016 to September 2017, 18 are from North Asia. Production budgets and

margins in North Asia, especially China, are generally better than local productions.

**UnUsUal to strengthen network.** UnUsUal has a strong presence in Asia and a network of regional artistes to synergise with mm2's growth in North Asia. The successful listing of UnUsUal, which mm2 acquired at 10.2x PE back in February 2016, would enable mm2 to crystallise gains and unlock value.

**Cinemas to build recurring income base.** On 7 November 2016, mm2 proposed the acquisition of 13 cinemas in Malaysia. Upon completion of the proposed acquisition, the group will own a total of 133 cinema screens in Malaysia, elevating it to the 4th largest cinema operator in the Malaysian market, with a market share of about 14% in terms of number of screens. Besides building recurring income, this acquisition would enable the group to scale up for better synergies and cost savings.

**Expansion in area of new media.** mm2 will continue to expand in the area of new media content. With an Over-the-top (OTT) content platform in development and the recent proposed acquisition of RINGS.TV to offer more diverse content and an additional platform for broadcast, mm2 is in a position to produce, distribute and exhibit transmedia content and enter new market segments.

**Maintain BUY and TP of S\$0.56.** We maintain our earnings forecasts for FY17F and FY18F but we have removed the revenue from the Distribution segment, to be in line with the group's reporting format. We have also added forecasts for FY19F. Maintain BUY. Our TP of S\$0.56 is pegged to FY18F earnings and peers' average of 24x.

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

	1H16	2H16	1H17	% chg yoy	% chg hoh
Revenue	12.7	25.6	35.0	175.9	36.6
Cost of Goods Sold	(4.3)	(15.6)	(15.3)	254.9	-2.4
<b>Gross Profit</b>	<b>8.4</b>	<b>10.0</b>	<b>19.8</b>	135.4	97.7
Other Oper. (Exp)/Inc	(3.0)	(5.4)	(8.9)	195.1	64.3
<b>Operating Profit</b>	<b>5.4</b>	<b>4.6</b>	<b>10.9</b>	102.2	136.9
Other Non Opg (Exp)/Inc	0.0	(0.0)	(0.0)	-276.0	76.0
Associates & JV Inc	0.0	0.0	0.0	-	-
Net Interest (Exp)/Inc	0.0	0.0	0.0	-	-
Exceptional Gain/(Loss)	0.0	0.0	0.0	-	-
<b>Pre-tax Profit</b>	<b>5.4</b>	<b>4.6</b>	<b>10.9</b>	100.4	137.2
Tax	(0.9)	(0.2)	(2.0)	118.7	1011.7
Minority Interest	0.0	0.0	0.0	-	-
<b>Net Profit</b>	<b>4.5</b>	<b>4.4</b>	<b>8.9</b>	96.6	101.4
Net profit bef Except.	4.5	4.4	8.9	96.6	101.4
EBITDA	6.7	4.6	13.5	102.0	193.0
<b>Growth</b>					
Revenue Gth (%)	(13)	102	37		
EBITDA Gth (%)	45	(31)	193		
Opg Profit Gth (%)	161	(15)	137		
Net Profit Gth (Pre-ex) (%)	208	(2)	101		
<b>Margins</b>					
Gross Margins (%)	66.1	39.0	56.4		
Opg Profit Margins (%)	42.4	17.9	31.1		
Net Profit Margins (%)	35.5	17.1	25.3		

Source of all data: Company, DBS Bank

**CRITICAL DATA POINTS TO WATCH**

**Earnings Drivers:**

**Acquisitions to strengthen competitive edge and build income base**

mm2 has made several acquisitions to maintain its competitive advantage. The latest is the acquisition of 13 cinemas in Malaysia. Upon completion likely in February next year, mm2 will own a total of 18 cinemas with a market share of about 14% in terms of number of screens, propelling the company to become a top four player in Malaysia. The ownership of cinemas will provide a source of recurring income to the group and cost savings in the longer term, as mm2 usually has to pay about 50% of its gross intake for rental of cinemas. Cinema operation is a profitable business, and could be profitable even with less than 50% of the seats occupied.

Other than cinemas, mm2 has recently entered into an MOU to acquire up to 30% stake in RINGS.TV, a leading interactive live streaming broadcast platform for S\$4.5m in a bid to beef up its OTT (over-the-top) platform. In February 2016, mm2 acquired a 51% stake in UnUsUal Group, one of Asia’s largest promoters and organisers of shows and entertainment acts, for S\$26m.

**Consolidating its position in local market; tapping on StarHub’s strong brand name**

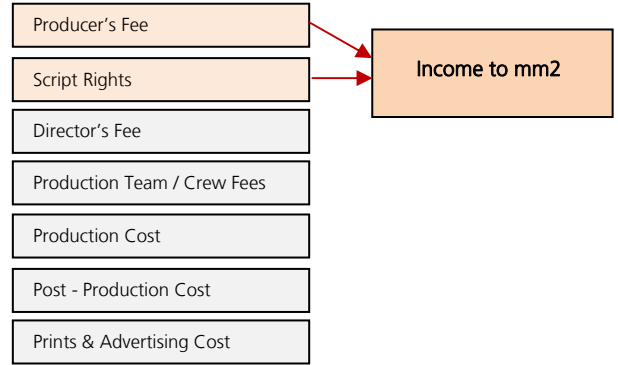
As the industry leader, mm2 is poised for more opportunities ahead. With the entry of StarHub with a 9.05% stake, mm2 can tap on the former’s strong brand name and this could raise its profile and pave the way for bigger opportunities ahead. mm2 could also leverage on StarHub to attract more sponsorship for its productions. StarHub can choose to tap on mm2’s cineplex business to showcase its content, as well as gain access to top-rated concerts and artistes through UnUsUal, in which mm2 owns a 51% stake.

**Going for niche markets in North Asia; adaptation of successful movies.**

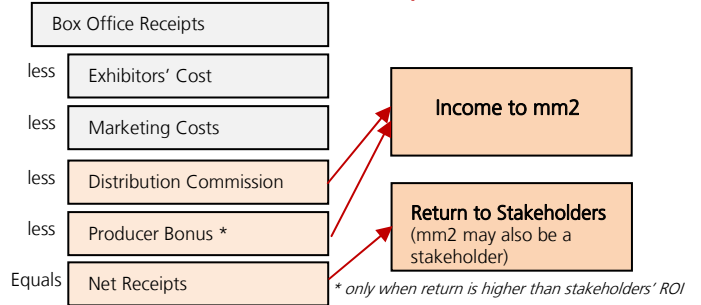
In terms of strategy in China, instead of competing directly with the local big boys, mm2’s strategy is to go for small, niche markets and replicate its proven business model that it has in Singapore. For example, remaking successful titles like “The Journey” or Jack Neo’s “I not Stupid” movie in a specific province like Sichuan, which has a population of about 80m, which is >10x bigger than Singapore. mm2 can adapt the movie to the local setting, which would be more appealing to the locals there. Besides production of movies, mm2 can also produce variety shows, either on its own or via tie-ups with one of its shareholders, Hesheng Media, which is one of the largest integrated media companies in China.

Distribution of movies, another core competency of mm2 apart from production and advertising, is also another channel that can broaden mm2’s income in China.

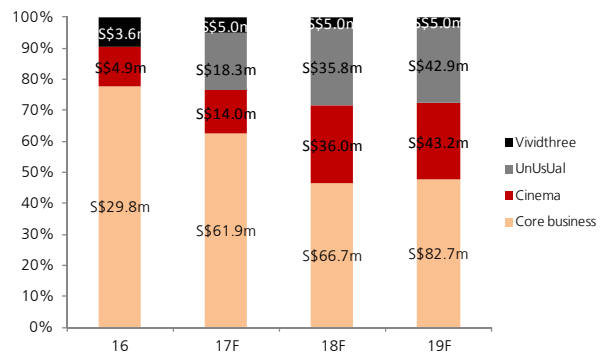
**Business Model – The Film Budget**



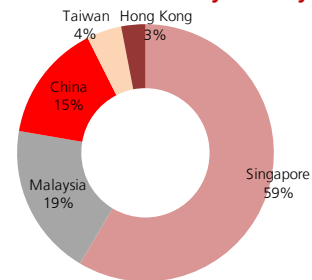
**Business Model – Gross Receipts (Box Office)**



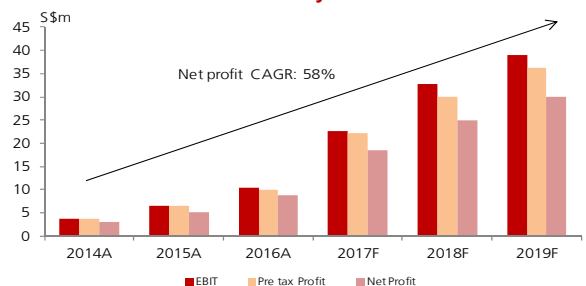
**Revenue Breakdown by Segment**



**FY16 Revenue Breakdown by Country**



**Profitability Trend**



Source: Company, DBS Bank

**Balance Sheet:**

**Net cash position.** mm2 was in a net cash position as at September 2016. Though we do not rule out the possibility of the group taking on more debt, as it is constantly on the lookout for acquisitions that can complement its existing business and also to build its recurring income base, the full impact from its recent acquisitions should lead to stronger earnings and equity base.

**Asset-light business model.** More than half of its assets are current assets, comprising mainly cash and receivables, even with the acquisition of cinemas and UnUsUal.

**Share Price Drivers:**

**UnUsUal listing.** The successful listing of UnUsUal, which mm2 acquired at 10.2x PE back in February 2016, would enable mm2 to crystallise gains and unlock value, and allow UnUsUal to tap on public funds for expansion.

**Growing production and distribution income.**

Its core business, which includes production, distribution and sponsorship, is expected to account for at least 70% of total revenue going forward. In terms of production project pipeline, we expect more than half of the production to come from North Asia. In China, we are expecting the group to also produce dramas, which will have a much bigger production budget than movies. Even for movies in China, their production budgets and margins are also better than local productions.

mm2 has also entered into an agreement to acquire the exclusive licensed rights to produce and broadcast *The Voice* for the Singapore/Malaysia version. *The Voice* is a popular format show currently being watched by more than 500m viewers. mm2, together with Clover Films, has also clinched the distribution rights for 19 movies in Singapore and Malaysia. Though distribution margins are much lower than production, at about 3% vs ~40%, it is very scalable.

**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 Group, and cinemas in Malaysia.

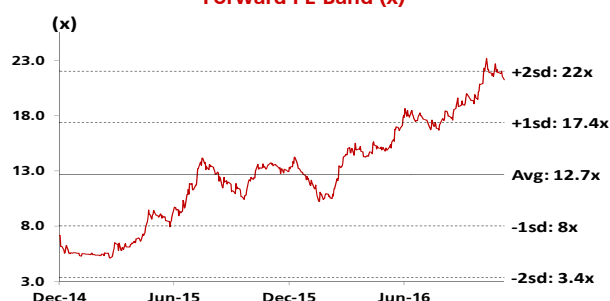
**Number of Titles (Production & Distribution)**

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
Apr 16 to Sep 17*	35	

\* projection

**Details of cinemas acquired**

Cinema	Place	Capacity
Cathay Cineplex City Square	Johor Bahru	14 screens, 2,826 seats
Cathay Cineplex Damansara	Damansara	16 screens, 2,472 seats
Mega Cineplex Prai	Penang	6 screens, 1,420 seats
Mega Cineplex Langkawi	Langkawi	3 screens 536 seats
Mega Cineplex Bertam	Bertam	4 screens 756 seats
LFS 1 Plaza, Kuala Selangor	Selangor	5 screens, 733 seats
LFS Seri Iskandar	Perak	7 screens, 1,349 seats
LFS 1 Segamat	Johor	8 screens, 1,703 seats
LFS Prangin Mall	Penang	8 screens, 1,490 seats
LFS Bahau	Negeri Sembilan	6 screens, 1,036 seats
LFS Shaw Centre, Point Klang	Selangor	4 screens, 875 seats
LFS Riverside, Kuching	Sarawak	4 screens, 585 seats
LFS IOI Kulai	Johor	6 screens, 920 seats
LFS Kerian Sentral Mall	Perak	8 screens, 1,183 seats
LFS Summer Mall	Sarawak	12 screens, 2,038 seats
LFS Mahkota Parade	Malacca	4 screens, 645 seats
LFS Bukit Jambul	Penang	6 screens, 1,167 seats
LFS Kampar	Perak	6 screens, 846 seats

**Forward PE Band (x)****PB Band (x)**

Source: Company, DBS Bank

## Segmental Breakdown

FY Mar	2015A	2016A	2017F	2018F	2019F
<b>Revenues (\$m)</b>					
<b>Core Business</b>	<b>24.3</b>	<b>29.8</b>	<b>61.9</b>	<b>66.7</b>	<b>82.7</b>
Production			51.9	56.7	72.7
TV Content			10.0	10.0	10.0
<b>Cinema</b>		<b>4.9</b>	<b>14.0</b>	<b>36.0</b>	<b>43.2</b>
<b>UnUsUal</b>			<b>18.3</b>	<b>35.8</b>	<b>42.9</b>
<b>Vividthree</b>		<b>3.6</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>
<b>Total</b>	<b>24.3</b>	<b>38.3</b>	<b>99.2</b>	<b>143.4</b>	<b>173.8</b>
<b>Gross profit (\$m)</b>					
<b>Core Business</b>	<b>9.6</b>	<b>13.1</b>	<b>22.3</b>	<b>24.2</b>	<b>30.6</b>
Production			20.8	22.7	29.1
TV Content			1.5	1.5	1.5
<b>Cinema</b>		<b>2.8</b>	<b>7.7</b>	<b>19.8</b>	<b>23.8</b>
<b>UnUsUal</b>			<b>6.8</b>	<b>13.2</b>	<b>15.9</b>
<b>Vividthree</b>		<b>2.5</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>
<b>Total</b>	<b>9.6</b>	<b>18.4</b>	<b>40.2</b>	<b>60.7</b>	<b>73.7</b>
<b>Gross profit Margins (%)</b>					
<b>Core Business</b>	<b>39%</b>	<b>44%</b>	<b>36%</b>	<b>36%</b>	<b>37%</b>
Production			40%	40%	40%
TV Content			15%	15%	15%
<b>Cinema</b>		<b>57%</b>	<b>55%</b>	<b>55%</b>	<b>55%</b>
<b>UnUsUal</b>			<b>37%</b>	<b>37%</b>	<b>37%</b>
<b>Vividthree</b>		<b>69%</b>	<b>70%</b>	<b>70%</b>	<b>70%</b>
<b>Total</b>	<b>39%</b>	<b>48%</b>	<b>41%</b>	<b>42%</b>	<b>42%</b>

Includes contribution from latest acquisition of Lotus cinemas

Partial contributions from UnUsUal

## Income Statement (\$m)

FY Mar	2015A	2016A	2017F	2018F	2019F
Revenue	24.3	38.3	99.2	143	174
Cost of Goods Sold	(14.7)	(20.0)	(59.0)	(82.7)	(100)
<b>Gross Profit</b>	<b>9.58</b>	<b>18.4</b>	<b>40.2</b>	<b>60.7</b>	<b>73.7</b>
Other Opng (Exp)/Inc	(3.0)	(8.0)	(17.7)	(28.0)	(34.8)
<b>Operating Profit</b>	<b>6.62</b>	<b>10.4</b>	<b>22.6</b>	<b>32.7</b>	<b>38.9</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)	(0.4)	(2.8)	(2.8)
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>22.2</b>	<b>29.9</b>	<b>36.2</b>
Tax	(1.5)	(1.1)	(3.8)	(5.1)	(6.1)
Minority Interest	0.0	0.0	0.0	0.0	0.0
Preference Dividend	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>5.08</b>	<b>8.90</b>	<b>18.4</b>	<b>24.9</b>	<b>30.0</b>
Net Profit before Except.	5.13	8.90	18.4	24.9	30.0
EBITDA	9.92	19.4	31.6	41.7	47.9
<b>Growth</b>					
Revenue Gth (%)	50.7	57.9	158.8	44.5	21.2
EBITDA Gth (%)	38.5	95.2	63.0	32.2	14.9
Opg Profit Gth (%)	78.3	56.7	117.6	44.9	19.0
Net Profit Gth (Pre-ex) (%)	68.1	73.4	107.1	34.9	20.8
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	39.5	48.0	40.6	42.3	42.4
Opg Profit Margin (%)	27.3	27.1	22.8	22.8	22.4
Net Profit Margin (%)	20.9	23.2	18.6	17.3	17.3
ROAE (%)	44.5	32.1	33.8	29.2	26.7
ROA (%)	18.5	16.7	17.0	13.3	12.0
ROCE (%)	37.7	27.3	28.4	19.5	17.5
Div Payout Ratio (%)	0.0	0.0	0.0	0.0	0.0
Net Interest Cover (x)	NM	26.8	58.3	11.7	14.0

Source: Company, DBS Bank

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

FY Mar	1H15	2H15	1H16	2H16	1H17
Revenue	9.7	14.6	12.7	25.6	35.0
Cost of Goods Sold	(4.0)	(10.7)	(4.3)	(15.6)	(15.3)
<b>Gross Profit</b>	<b>5.7</b>	<b>3.9</b>	<b>8.4</b>	<b>10.0</b>	19.8
Other Oper. (Exp)/Inc	(1.2)	(1.8)	(3.0)	(5.4)	(8.9)
<b>Operating Profit</b>	<b>4.5</b>	<b>2.1</b>	<b>5.4</b>	<b>4.6</b>	10.9
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	0.0	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>4.5</b>	<b>2.0</b>	<b>5.4</b>	<b>4.6</b>	10.9
Tax	(0.9)	(0.6)	(0.9)	(0.2)	(2.0)
Minority Interest	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>3.6</b>	<b>1.5</b>	<b>4.5</b>	<b>4.4</b>	8.9
Net profit bef Except.	3.6	1.5	4.5	4.4	8.9
EBITDA	5.3	4.6	6.7	4.6	13.5

**Growth**

Revenue Gth (%)		51	(13)	102	37
EBITDA Gth (%)		(13)	45	(31)	193
Opg Profit Gth (%)		(54)	161	(15)	137
Net Profit Gth (Pre-ex) (%)		(60)	208	(2)	101

**Margins**

Gross Margins (%)	58.7	26.7	66.1	39.0	56.4
Opg Profit Margins (%)	46.7	14.1	42.4	17.9	31.1
Net Profit Margins (%)	37.4	10.0	35.5	17.1	25.3

Volatile margins mainly due to different stages of revenue recognition

**Balance Sheet (\$\$m)**

FY Mar	2015A	2016A	2017F	2018F	2019F
Net Fixed Assets	0.10	3.65	4.84	18.3	23.8
Invts in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other LT Assets	6.36	26.1	33.2	57.3	62.9
Cash & ST Invts	5.76	4.74	29.6	36.5	49.1
Inventory	4.77	9.83	21.6	30.3	36.6
Debtors	20.6	24.4	58.2	84.2	102
Other Current Assets	0.0	0.26	0.26	0.26	0.26
<b>Total Assets</b>	<b>37.6</b>	<b>69.0</b>	<b>148</b>	<b>227</b>	<b>275</b>
ST Debt	0.22	0.20	0.20	0.20	0.20
Creditor	14.7	23.8	56.9	79.8	96.6
Other Current Liab	1.46	4.21	4.93	6.25	7.31
LT Debt	0.09	2.85	11.2	41.2	41.2
Other LT Liabilities	1.92	0.75	0.75	0.75	0.75
Shareholder's Equity	19.2	36.2	72.6	97.5	128
Minority Interests	0.0	0.98	0.98	0.98	0.98
<b>Total Cap. &amp; Liab.</b>	<b>37.6</b>	<b>69.0</b>	<b>148</b>	<b>227</b>	<b>275</b>
Non-Cash Wkg. Capital	9.19	6.49	18.2	28.6	35.0
Net Cash/(Debt)	5.45	1.69	18.2	(5.0)	7.64
Debtors Turn (avg days)	240.0	214.2	152.0	181.2	195.5
Creditors Turn (avg days)	417.3	640.7	294.6	338.5	353.4
Inventory Turn (avg days)	100.2	243.0	114.7	128.4	134.0
Asset Turnover (x)	0.9	0.7	0.9	0.8	0.7
Current Ratio (x)	1.9	1.4	1.8	1.8	1.8
Quick Ratio (x)	1.6	1.0	1.4	1.4	1.5
Net Debt/Equity (X)	CASH	CASH	CASH	0.1	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	0.1	CASH
Capex to Debt (%)	645.4	279.3	150.7	112.4	48.3
Z-Score (X)	13.1	8.6	4.0	3.8	3.8

Source: Company, DBS Bank

Cash Flow Statement (S\$m)

FY Mar	2015A	2016A	2017F	2018F	2019F
Pre-Tax Profit	6.58	9.99	22.2	29.9	36.2
Dep. & Amort.	3.29	8.98	8.98	8.98	8.98
Tax Paid	(1.5)	(1.1)	(3.1)	(3.8)	(5.1)
Assoc. & JV Inc/(loss)	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	(12.0)	(22.6)	(12.5)	(11.7)	(7.4)
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>15.7</b>	<b>23.4</b>	<b>32.6</b>
Capital Exp.(net)	(2.0)	(8.5)	(17.3)	(46.6)	(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>(17.3)</b>	<b>(46.6)</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	8.40	30.0	0.0
Capital Issues	7.75	9.10	18.0	0.0	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>26.4</b>	<b>30.0</b>	<b>0.0</b>
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	4.44	(2.5)	24.9	6.86	12.6
Opg CFPS (S cts)	1.13	1.98	2.68	3.35	3.82
Free CFPS (S cts)	(0.6)	(1.5)	(0.2)	(2.2)	1.21

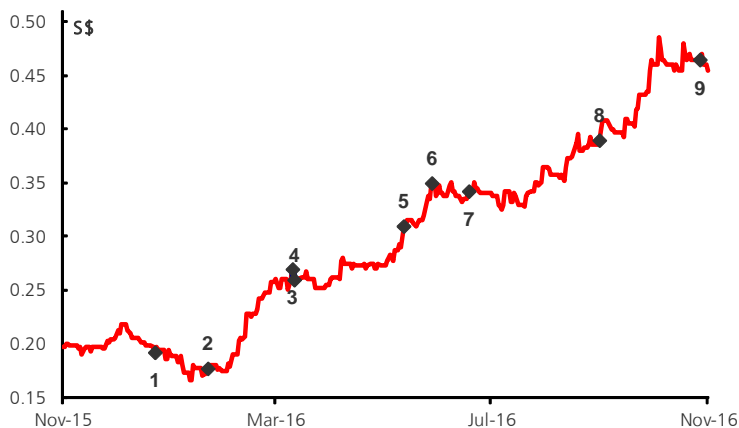
FY17 and FY18 - Acquisition of cinemas and RINGS.TV

Issue of shares to finance recent acquisitions

Assume partial debt financing for the acquisition of cinemas

Source: Company, DBS Bank

Target Price & Ratings History



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

Source: DBS Bank

Analyst: Lee Keng LING



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

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

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

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

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

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

*Share price appreciation + dividends*

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