


Company Note

Singapore

ADD (no change)

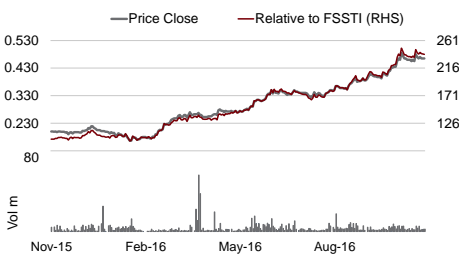
Consensus ratings*: Buy 2 Hold 0 Sell 0

Current price: S\$0.47
 Target price:  S\$0.52
 Previous target: S\$0.42
 Up/downside: 10.8%
 CIMB / Consensus: 15.2%

Reuters: MM2A.SI
 Bloomberg: MM2 SP
 Market cap: US\$344.1m
 S\$478.4m
 Average daily turnover: US\$1.15m
 S\$1.57m
 Current shares o/s: 1,048m
 Free float: 36.4%
 *Source: Bloomberg

Key changes in this note

- FY18F EPS increased by 4.2%
- FY19F EPS increased by 7.1%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	7.5	32.9	136.9
Relative (%)	9.4	34.7	143.2

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 Scoring a hat trick in cinemas

- mm2 proposed acquisition of 13 Lotus Fivestar cinemas in Malaysia, expanding its market share to top four in Malaysia.
- Deal comes with 2-year EBITDA target of S\$3.3m and option for more cinema purchases and collaboration.
- Purchase price cheaper than previous acquisitions of Mega and Cathay.
- Earnings-accretive acquisition raises our FY18-19F EPS by 4-7%.
- Deal an overall positive given the greater synergies and diversification. Maintain Add, with higher target price of S\$0.52 (based on 22x CY18F P/E, peer average).

Becoming the 4th largest cinema operator in Malaysia

mm2 announced a proposed acquisition of 13 theatres in Malaysia from movie chain Lotus Fivestar Cinemas, which also owns 10 other outlets in Malaysia. These 13 cinemas are relatively new with operating history of 1-7 years and collectively have a total of 90 screens and 15,818 seats. Combining cinema assets from earlier purchases of Cathay and Mega cineplexes, mm2 now ranks the 4th largest cinema operator in Malaysia, with a total of 133 cinema screens.

Minimum EBITDA of S\$3.3m for the next two years

The proposed deal comes at a price of RM98m to be funded by a mix of cash and debt, and also carries a) an annual EBITDA target of RM10m (S\$3.3m) over a 2-year period, b) an option to purchase two more cinemas at a lower 8x EBITDA, and c) possible partnership with Lotus Fivestar to explore new sites in the future. We are overall positive on the deal as it allows mm2 to benefit from economies of scale. Management does not rule out further cinema acquisition, even beyond Malaysia.

Cheaper than Mega and Cathay

The acquisition cost of RM98m translates to RM1.1m per screen. This compares favourably with the cost per screen of RM1.3m for Cathay and RM1.7m for Mega cineplexes. It is also significantly cheaper than the planned sale of Golden Screen Cinemas at US\$500m, which values the market leader at RM6.8m/screen. The offer for the 13 Lotus Fivestar cinema locations is also fairly priced at 9.8x EBITDA, below the industry average of 15-16x EV/EBITDA.

FY18-19 EPS estimates increase by 4-7%

We expect the deal to conclude by end-FY17, and raise our FY18-19F EPS by 4-7% to account for stronger cinema earnings contribution. We also adjust our FY17-19 capex assumptions higher to include the acquisition of a 15% stake in Rings.TV (an interactive broadcasting technology platform for live streaming of concerts, performances etc.) at S\$2.25m. Production for Singapore/Malaysia's version of 'The Voice' is scheduled to air in 2017 and has been factored into our FY18F film budget.

TP increases to S\$0.52 on higher EPS and roll-over

As we raise our EPS forecasts and roll our valuation over to CY18F, our target price rises to S\$0.52, still pegged to its peer average of 22x P/E. We maintain our Add call. The downside risk to our Add rating is unexpected production delay or budget overrun. Potential re-rating catalysts include stronger traction into North Asia film production and earnings-accretive M&As.

Financial Summary	Mar-15A	Mar-16A	Mar-17F	Mar-18F	Mar-19F
Revenue (S\$m)	24.3	38.3	89.7	134.9	150.1
Operating EBITDA (S\$m)	9.87	19.07	34.80	48.15	61.11
Net Profit (S\$m)	5.08	8.18	17.90	21.69	25.68
Core EPS (S\$)	0.006	0.009	0.017	0.021	0.024
Core EPS Growth	57.7%	50.3%	84.8%	20.5%	18.4%
FD Core P/E (x)	80.34	52.40	27.22	22.58	19.08
DPS (S\$)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	38.43	21.53	14.09	11.07	8.88
P/FCFE (x)	NA	NA	NA	NA	115.7
Net Gearing	(28.4%)	(4.6%)	(0.4%)	31.8%	29.3%
P/BV (x)	20.05	11.37	5.71	4.58	3.69
ROE	44.5%	29.5%	29.4%	22.5%	21.4%
% Change In Core EPS Estimates			0.00%	4.19%	7.05%
CIMB/consensus EPS (x)			0.95	0.94	1.06

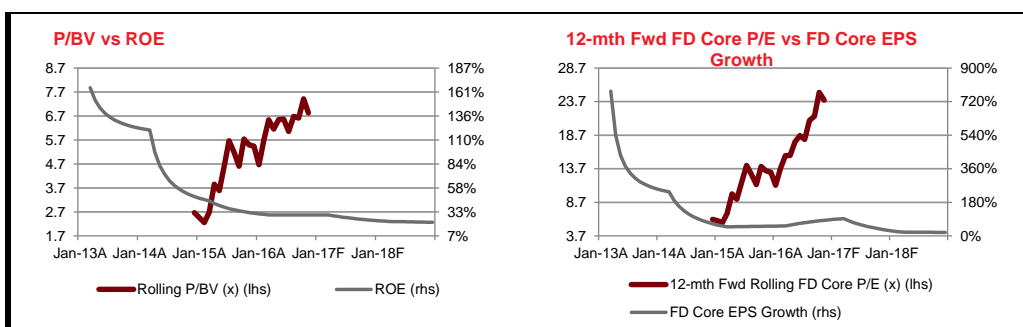
SOURCE: COMPANY DATA, CIMB FORECASTS

Figure 1: Peer 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 (%)	
						CY16F	CY17F		CY16F	CY17F	CY16F	CY17F	CY16F	CY17F
mm2 Asia Ltd	mm2 SP	ADD	0.47	0.52	344	30.7	23.6	39.5%	6.5	4.8	29.2%	23.8%	na	na
Regional														
Spackman Entertainment Group L	SEG SP	Not rated	0.13	na	36	na	9.1	na	2.3	1.8	3.6%	26.3%	na	3.3%
Village Roadshow Ltd	VRL AU	Not rated	5.05	na	629	51.5	13.3	31.5%	1.7	1.7	7.6%	12.7%	5.6%	5.9%
Alibaba Pictures Group Ltd	1060 HK	Not rated	1.50	na	4,881	65.2	na	-41.4%	na	na	-2.0%	-3.0%	na	na
IMAX China Holding Inc	1970 HK	Add	34.90	43.61	1,605	34.4	26.3	22.9%	7.7	5.8	25.4%	25.1%	0.0%	0.0%
Huayi Brothers Media Corp	300027 CH	Not rated	12.38	na	5,082	32.8	27.6	11.6%	3.2	2.9	9.2%	10.4%	0.5%	0.6%
YG Entertainment Inc	122870 KS	Not rated	27,850	na	405	17.2	16.4	-0.2%	2.1	1.9	12.2%	11.8%	1.2%	1.3%
CJ E&M Corp	130960 KS	Not rated	66,700	na	2,276	27.4	23.4	34.9%	1.6	1.5	5.8%	6.4%	0.3%	0.3%
SHOWBOX Corp	086980 KS	Not rated	6,280	na	346	31.2	19.2	26.4%	3.2	2.8	10.4%	15.2%	0.8%	0.8%
Simple average						37.1	19.3	12.3%	3.1	2.6	9.0%	13.1%	1.4%	1.7%
International														
Comcast Corp	CMCSA US	Not rated	61.5	na	147,183	17.6	16.3	na	2.7	2.5	15.7%	15.7%	1.8%	2.0%
Walt Disney Co/The	DIS US	Not rated	94.4	na	151,759	16.5	15.3	-0.8%	3.5	3.4	21.3%	21.8%	1.5%	1.7%
Twenty-First Century Fox Inc	FOX US	Not rated	27.2	na	50,658	14.7	13.9	na	3.5	3.2	21.1%	24.6%	1.4%	1.7%
Time Warner Inc	TWX US	Not rated	87.7	na	67,659	15.6	14.8	12.0%	2.7	2.3	18.3%	17.6%	1.8%	2.0%
Simple average						16.1	15.1	5.6%	3.1	2.8	19.1%	19.9%	1.6%	1.8%
Simple average (overall excluding mm2)						26.6	17.2	8.9%	3.1	2.7	14.1%	16.5%	1.5%	1.8%

SOURCES: CIMB, COMPANY REPORTS, BLOOMBERG

BY THE NUMBERS



Profit & Loss

(\$m)	Mar-15A	Mar-16A	Mar-17F	Mar-18F	Mar-19F
Total Net Revenues	24.29	38.34	89.70	134.90	150.09
Gross Profit	9.50	18.39	37.23	55.97	63.72
Operating EBITDA	9.87	19.07	34.80	48.15	61.11
Depreciation And Amortisation	(3.29)	(8.98)	(9.63)	(15.45)	(22.40)
Operating EBIT	6.57	10.09	25.17	32.69	38.70
Financial Income/(Expense)	(0.02)	(0.39)	(0.05)	(1.00)	(2.00)
Pretax Income/(Loss) from Assoc.	0.00	0.00	0.00	0.00	0.00
Non-Operating Income/(Expense)	0.03	0.29	0.00	0.00	0.00
Profit Before Tax (pre-EI)	6.58	9.99	25.12	31.69	36.70
Exceptional Items					
Pre-tax Profit	6.58	9.99	25.12	31.69	36.70
Taxation	(1.50)	(1.10)	(4.77)	(6.50)	(7.52)
Exceptional Income - post-tax					
Profit After Tax	5.08	8.90	20.35	25.19	29.18
Minority Interests	0.00	(0.72)	(2.45)	(3.50)	(3.50)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	5.08	8.18	17.90	21.69	25.68
Recurring Net Profit	5.08	8.18	17.90	21.69	25.68
Fully Diluted Recurring Net Profit	5.08	8.18	17.90	21.69	25.68

Cash Flow

(\$m)	Mar-15A	Mar-16A	Mar-17F	Mar-18F	Mar-19F
EBITDA	9.87	19.07	34.80	48.15	61.11
Cash Flow from Inv. & Assoc.	0.00	0.00	0.00	0.00	0.00
Change In Working Capital	(12.01)	(22.57)	(20.02)	(37.40)	(54.29)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	0.00	0.12	0.00	0.00	0.00
Other Operating Cashflow					
Net Interest (Paid)/Received	(0.02)	(0.38)	(0.05)	(1.00)	(2.00)
Tax Paid	(0.07)	(0.09)	(4.77)	(6.50)	(7.52)
Cashflow From Operations	(2.23)	(3.84)	9.95	3.25	(2.71)
Capex	(0.03)	(0.59)	(1.00)	(3.00)	(3.00)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	0.00	(7.71)	(41.53)	(36.79)	0.00
Other Investing Cashflow	(1.94)	(0.23)	0.00	0.00	0.00
Cash Flow From Investing	(1.98)	(8.53)	(42.53)	(39.79)	(3.00)
Debt Raised/(repaid)	2.92	2.30	19.95	19.95	9.95
Proceeds From Issue Of Shares	7.75	9.10	31.30	0.00	0.00
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	10.67	11.39	51.25	19.95	9.95
Total Cash Generated	6.46	(0.97)	18.67	(16.59)	4.24
Free Cashflow To Equity	(1.29)	(10.07)	(12.63)	(16.59)	4.24
Free Cashflow To Firm	(4.19)	(11.98)	(32.53)	(35.54)	(3.71)

SOURCE: CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS... cont'd

Balance Sheet

(\$m)	Mar-15A	Mar-16A	Mar-17F	Mar-18F	Mar-19F
Total Cash And Equivalents	5.76	4.74	23.41	6.82	11.06
Total Debtors	20.58	24.42	44.24	66.53	74.02
Inventories	0.00	0.26	0.26	0.26	0.26
Total Other Current Assets	4.77	9.83	20.23	33.26	44.32
Total Current Assets	31.11	39.25	88.14	106.88	129.65
Fixed Assets	0.10	3.65	3.65	3.65	3.65
Total Investments	0.00	0.00	41.53	78.32	78.32
Intangible Assets	6.35	25.28	23.68	34.01	56.22
Total Other Non-Current Assets	0.01	0.80	0.80	0.80	0.80
Total Non-current Assets	6.46	29.73	69.66	116.77	138.98
Short-term Debt	0.22	0.20	0.20	0.20	0.20
Current Portion of Long-Term Debt					
Total Creditors	15.02	24.41	41.58	62.23	68.05
Other Current Liabilities	1.15	3.61	3.61	3.61	3.61
Total Current Liabilities	16.38	28.22	45.39	66.05	71.86
Total Long-term Debt	0.09	2.85	22.85	42.85	52.85
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0.00	0.00	0.00	0.00	0.00
Total Non-current Liabilities	0.09	2.85	22.85	42.85	52.85
Total Provisions	1.92	0.75	0.75	0.75	0.75
Total Liabilities	18.39	31.82	68.99	109.65	125.46
Shareholders' Equity	19.18	36.19	85.39	107.08	132.76
Minority Interests	0.00	0.98	3.43	6.93	10.43
Total Equity	19.18	37.17	88.81	114.01	143.19

Key Ratios

	Mar-15A	Mar-16A	Mar-17F	Mar-18F	Mar-19F
Revenue Growth	51%	58%	134%	50%	11%
Operating EBITDA Growth	36.7%	93.4%	82.4%	38.4%	26.9%
Operating EBITDA Margin	40.6%	49.8%	38.8%	35.7%	40.7%
Net Cash Per Share (S\$)	0.007	0.002	0.000	(0.034)	(0.040)
BVPS (S\$)	0.02	0.04	0.08	0.10	0.13
Gross Interest Cover	365.1	26.1	503.4	32.7	19.4
Effective Tax Rate	22.7%	11.0%	19.0%	20.5%	20.5%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Accounts Receivables Days	240.0	214.8	139.7	149.8	170.9
Inventory Days	0.00	2.42	1.84	1.22	1.12
Accounts Payables Days	325.8	356.1	225.3	237.2	272.7
ROIC (%)	126%	64%	69%	69%	53%
ROCE (%)	48.3%	32.4%	32.8%	24.2%	21.8%
Return On Average Assets	18.5%	17.4%	18.0%	13.7%	12.7%

Key Drivers

	Mar-15A	Mar-16A	Mar-17F	Mar-18F	Mar-19F
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)	80.8%	28.5%	85.6%	25.3%	15.0%
Newspaper adex rev. grth (%)	0.0%	0.0%	248.3%	6.0%	6.0%
Newspaper ASP (% Change)	N/A	N/A	N/A	N/A	N/A
Newspaper circulation grth (%)	N/A	N/A	N/A	N/A	N/A
Newspaper Cost (% Change)	N/A	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

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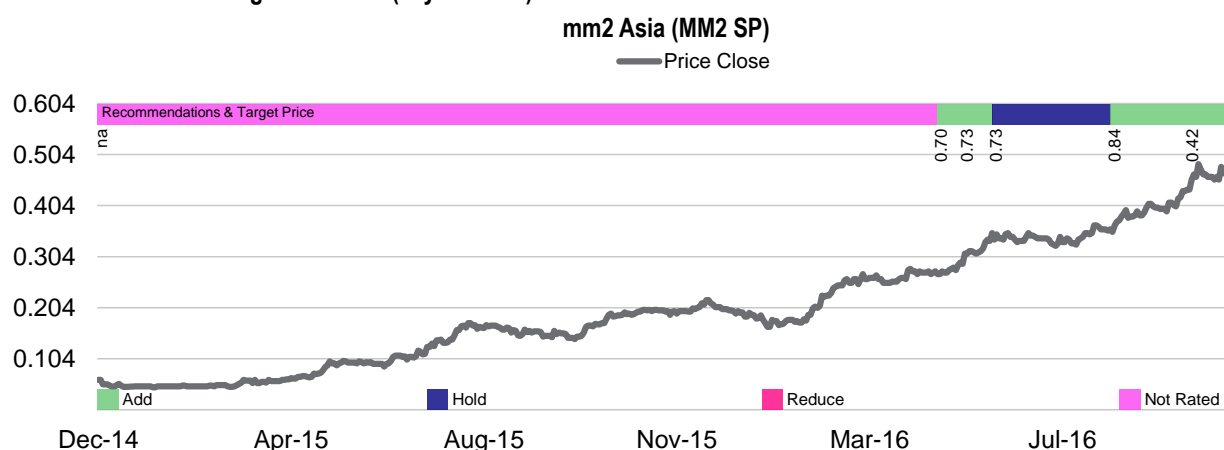
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2016		
1598 companies under coverage for quarter ended on 30 September 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	57.7%	7.5%
Hold	31.7%	2.8%
Reduce	9.8%	0.6%

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 2015, Anti-Corruption Progress Indicator 2015.

AAV – Very Good, 3B, ADVANC – Excellent, 3A, AEONTS – Good, 1, AMATA – Very Good, 2, ANAN – Very Good, 3A, AOT – Very Good, 2, AP – Good, 3A, ASK – Very Good, 3B, ASP – Very Good, 4, BANPU – Very Good, 4, BAY – Very Good, 4, BBL – Very Good, 4, BCH – not available, no progress, BCP - Excellent, 5, BEM – not available, no progress, BDMS – Very Good, 3B, BEAUTY – Good, 2, BEC - Good, 3B, BH - Good, 2, BIGC - Excellent, 3A, BJC – Good, 1, BLA – Very Good, 4, 1, BTS - Excellent, 3A, CBG – Good, 1, CCET – not available, 1, CENTEL – Very Good, 3A, CHG – Good, 3B, CK – Excellent, 3B, COL – Very Good, 3A, CPALL – Good, 3A, CPF – Very Good, 3A, CPN - Excellent, 5, DELTA - Very Good, 3A, DEMCO – Very Good, 3A, DTAC – Excellent, 3A, EA – not available, 3A, ECL – Good, 4, EGCO - Excellent, 4, EPG – not available, 3B, GFPT - Very Good, 3A, GLOBAL – Very Good, 2, GLOW - Good, 3A, GPSC – not available, 3B, GRAMMY - Excellent, 3B, GUNKUL – Very Good, 1, HANA - Excellent, 4, HMPRO - Excellent, 3A, ICHI – Very Good, 3A, INTUCH - Excellent, 4, ITD – Good, 1, IVL - Excellent, 4, JAS – not available, 3A, JASIF – not available, no progress, JUBILE – Good, 3A, KAMART – not available, no progress, KBANK - Excellent, 4, KCE - Excellent, 4, KGI – Good, 4, KKP – Excellent, 4, KSL – Very Good, 2, KTB - Excellent, 4, KTC – Very Good, 3A, LH - Very Good, 3B, LPN – Excellent, 3A, M - Good, 2, MAJOR - Good, 1, MAKRO – Good, 3A, MALEE – not available, 2, MBKET – Good, 2, MC – Very Good, 3A, MCOT – Excellent, 3A, MEGA – Very Good, 2, MINT - Excellent, 3A, MTLs – Good, 2, NYT – Good, no progress, OISHI – Very Good, 3B, PLANB – Good, 3B, PS – Excellent, 3A, PSL - Excellent, 4, PTT - Excellent, 5, PTTEP - Excellent, 4, PTTGC - Excellent, 5, QH – Very Good, 2, RATCH – Excellent, 3A, ROBINS – Excellent, 3A, RS – Very Good, 1, SMART - Excellent, 3B, SAPPE - Good, 3B, SAT – Excellent, 5, SAWAD – Good, 1, SC – Excellent, 3B, SCB - Excellent, 4, SCBLIF – not available, no progress, SCC – Excellent, 5, SCN – Good, 1, SCCC - Good, 3A, SIM - Excellent, 3B, SIRI - Good, 1, SPALI - Excellent, 3A, SPRC – not available, no progress, STA – Very Good, 1, STEC – Very Good, 3B, SVI – Very Good, 3A, TASCO – Very Good, 3A, TCAP – Very Good, 4, THAI – Very Good, 3A, THANI – Very Good, 5, THCOM – Excellent, 4, THRE – Very Good, 3A, THREL – Very Good, 3A, TICON – Very Good, 3A, TISCO - Excellent, 4, TK – Very Good, 3B, TKN – not available, no progress, TMB - Excellent, 4, TPCH – Good, 3B, TOP - Excellent, 5, TRUE – Very Good, 2, TTW – Very Good, 2, TU – Very Good, 3A, UNIQ – not available, 2, VGI – Excellent, 3A, WHA – Good, 3A, WORK – not available, no progress.

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Definition:

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- 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.

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Definition:

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- 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.