

Singapore

ADD (no change)

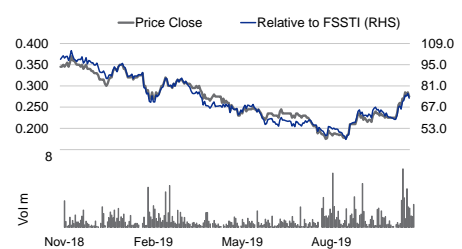
Consensus ratings*: Buy 1 Hold 2 Sell 0

Current price:	S\$0.28
Target price:	S\$0.32
Previous target:	S\$0.32
Up/downside:	14.8%
CGS-CIMB / Consensus:	15.5%
Reuters:	MM2A.SI
Bloomberg:	MM2 SP
Market cap:	US\$234.9m
	S\$319.8m
Average daily turnover:	US\$0.22m
	S\$0.31m
Current shares o/s:	1,163m
Free float:	36.4%

*Source: Bloomberg

Key changes in this note

➤ No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	17	44	-22.5
Relative (%)	13.1	40.4	-28.5

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

2QFY20: still on track

- 1HFY3/20 PATMI deemed in line as we expect a stronger 2H; profit decline attributable to higher costs, core production delay and box office seasonality.
- Net gearing and core trade/other receivables were unchanged qoq in 2Q20.
- Add; re-rating to come from value unlocking and faster cinema turnaround.

1HFY20 deemed in line; profit decline from production delays

mm2 reported 2QFY20F core PATMI of S\$2.2m, which fell 40.4% yoy and 68.0% qoq due to higher depreciation and amortisation expenses. 1H20 PATMI of S\$9.1m (-16.1% yoy) formed 44%/47% of our/consensus full-year forecasts, which we deem in line as 2H is seasonally stronger. The concert (Unusual) and post-production (Vividthree) segments outperformed; revenue for the core production and cinema business dipped qoq and yoy due to delays in some productions, as well as box office seasonality. We believe a stronger project rollout and sustained cinema profitability could underpin a 2H recovery for mm2.

Net gearing, core trade receivables stable qoq

Trade and other receivables remained high at S\$184.1m this quarter (1Q20: S\$173.4m, 2Q19: S\$138.5m), driven by Unusual's S\$20.1m increase from higher promotion and production revenue, as well as a S\$18.4m reclassification from intangibles. Excluding the consolidation from Unusual and Vividthree, receivables attributable to mm2's core and cinema operations would have been stable qoq at c.S\$122m. Net gearing inched up slightly to 0.87x as of end-2Q20 (1Q20: 0.85x, 2Q19: 0.63x), while the group generated lower operating cashflow of S\$1.3m in 2Q20, vs. S\$2.7m in 2Q19.

A busy 2Q for Unusual

Unusual Limited recorded strong 2Q20 net profit of S\$5.0m (+54.8% yoy, +369.4% qoq). Topline rose 57.5% yoy to S\$29.6m, thanks to more promotions (e.g. Disney) and production (F1, concerts, etc.) activities. The group continues to focus on higher margin shows per artiste in multiple territories and expansion of family entertainment projects with Disney. The 2H pipeline remains strong, including Apollo 11 at its second location in Houston, Texas in Dec 2019.

Vividthree secures more projects

Vividthree grew its revenue from S\$0.7m to S\$1.8m in 2Q20, which boosted its turnaround from S\$0.3m net loss in 2Q19 to S\$0.2m net profit. Apart from the recent launch of "Train to Busan" set in Genting Malaysia, the group is also working on the Doraemon Experience show, webcomics videos and a mixed tourism development project, "HeurekaLand".

Maintain Add

No change to our FY20-22F EPS and Add call on the stock with an unchanged SOP-based TP of S\$0.32. Potential catalysts: successive box office hits, faster cinema turnaround and value unlocking. Unexpected production delays and balance sheet mismanagement could pose downside risks.

Financial Summary

	Mar-18A	Mar-19A	Mar-20F	Mar-21F	Mar-22F
Revenue (S\$m)	192.0	266.2	294.1	311.7	333.8
Operating EBITDA (S\$m)	62.9	75.1	107.9	117.0	126.3
Net Profit (S\$m)	22.40	19.14	20.85	26.00	29.12
Core EPS (S\$)	0.020	0.016	0.018	0.022	0.025
Core EPS Growth	14.5%	(16.8%)	8.9%	24.7%	12.0%
FD Core P/E (x)	13.89	16.71	15.34	12.30	10.98
DPS (S\$)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	4.94	7.64	5.59	4.85	4.06
P/FCFE (x)	70.45	2.55	NA	6.53	4.68
Net Gearing	(13.1%)	76.7%	74.4%	51.4%	27.7%
P/BV (x)	1.79	1.49	1.36	1.23	1.10
ROE	17.0%	9.7%	9.3%	10.5%	10.6%
% Change In Core EPS Estimates			0%	0%	0%
CGS-CIMB/Consensus EPS (x)			1.05	1.12	1.04

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Figure 1: Results comparison table

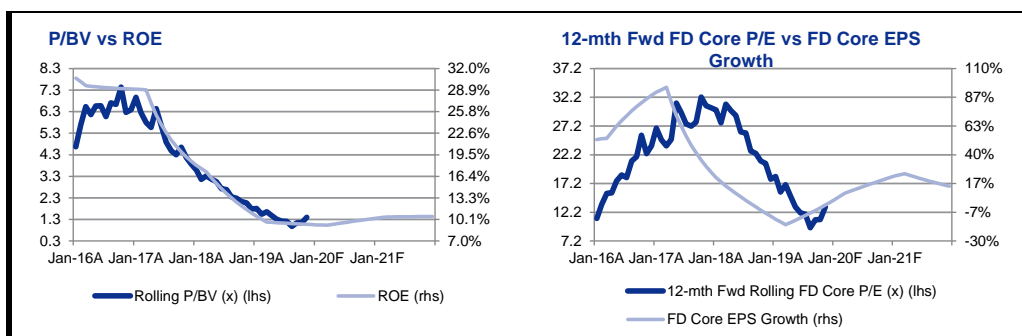
FYE March (S\$m)	2QFY20	2QFY19	yoy % chg	qoq % chg	2QFY20 Cum	2QFY19 Cum	yoy % chg	Prev FY19F	Comments
Revenue	68	65	5.4	39.5	117	114	3.1	294	2QFY20 formed 23% of our/consensus full-year numbers; 1H formed 40%, in line as 2H is seasonally stronger
Operating costs	(43)	(47)	(8.4)	79.8	(67)	(78)	(13.9)	(186)	
EBITDA	25	18	42.0	0.7	50	36	40.4	108	
EBITDA margin (%)	37	27	9.5	(14.2)	43	31	11.3	37	
Deprn & amort.	(12)	(3)	283.9	22.7	(22)	(7)	244.7	(44)	
EBIT	13	14	(11.9)	(14.2)	28	29	(5.3)	64	
Interest expense	(6)	(6)	0.3	18.8	(10)	(9)	16.7	(19)	In line
Interest & invt inc	0	0	na	na	0	0	na	-	
Associates' contrib	0	(0)	na	na	(0)	(0)	na	-	
Exceptionals	-	-	na	na	-	-	na	-	
Pretax profit	7	9	(19.2)	(28.7)	17	21	(15.2)	45	
Tax	(2)	(4)	(44.7)	(28.2)	(5)	(6)	(22.6)	(13)	
Tax rate (%)	27	39	(12.4)	0.2	27	29	(2.6)	28	In line
Minority interests	3	2	79.0	495.6	4	4	0.2	12	
Net profit	2.2	3.7	(40.4)	(68.0)	9.1	10.9	(16.1)	21	2QFY20 formed 11% of our/consensus full-year numbers
Core net profit	2.2	3.7	(40.4)	(68.0)	9.1	10.9	(16.1)	21	1H formed 44%/47% of our/consensus full year forecasts, in line as 2H is seasonally stronger
EPS (cts)	0.19	0.32	(40.4)	(68.0)	0.79	0.94	(16.1)	1.8	
Core EPS (cts)	0.19	0.32	(40.4)	(68.0)	0.79	0.94	(16.1)	1.8	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Peers Comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	Core P/E (x) CY19F	Core P/E (x) CY20F	3-year EPS CAGR (%)	P/BV (x) CY19F	P/BV (x) CY20F	Recurring ROE (%) CY19F	Recurring ROE (%) CY20F	Dividend Yield (%) CY19F	Dividend Yield (%) CY20F
mm2 Asia	mm2 SP	ADD	0.28	0.32	235	15.7	12.9	12.1%	1.4	1.3	9.4%	10.2%	na	na
Movie/ TV production														
Spackman Entertainment Group L	SEG SP	Not rated	0.02	na	13	na	na	na	na	na	na	na	na	na
Alibaba Pictures Group Ltd	1060 HK	Not rated	1.30	na	4,422	na	36.6	na	2.1	1.9	2.0%	5.6%	na	na
Zhejiang Talent Television & F	300426 CH	Not rated	5.28	na	311	na	na	na	na	na	na	na	na	na
Zhejiang Huace Film & TV Co Lt	300133 CH	Not rated	6.65	na	1,664	30.8	20.6	45.1%	1.6	1.6	4.3%	6.4%	0.3%	0.5%
Studio Dragon Corp	253450 KS	Add	78,200	80,000	1,882	80.4	53.6	38.8%	5.1	4.7	6.6%	9.1%	0.0%	0.0%
CJ ENM	035760 KS	Add	151,000	200,000	2,837	17.4	13.5	15.6%	1.1	1.0	6.8%	8.0%	0.8%	1.0%
Huayi Brothers Media Corp	300027 CH	Not rated	4.37	na	1,741	26.6	18.4	na	1.3	1.2	3.4%	5.1%	0.3%	0.3%
Simple average						38.8	28.5	33.1%	2.2	2.1	4.6%	6.9%	0.3%	0.4%
Cinema Theatres														
Wanda Film Holding Co Ltd	002739 CH	Not rated	14.07	na	4,168	19.6	16.2	na	1.7	1.5	9.1%	10.2%	1.0%	1.2%
Orange Sky Golden Harvest Ente	1132 HK	Not rated	0.33	na	116	na	na	na	na	na	na	na	na	na
Major Cineplex Group PCL	MAJOR TB	Add	24.70	30.00	731	23.6	20.4	na	3.4	3.3	14.4%	16.5%	4.8%	4.8%
Simple average						21.6	18.3	na	2.5	2.4	11.8%	13.3%	2.9%	3.0%
Concert/ Events production														
Unusual Ltd	UNU SP	Not rated	0.30	na	227	23.4	15.0	18.4	4.6	3.5	25.3%	23.6%	na	na
Live Nation Entertainment Inc	LYV US	Not rated	65	na	13,977	441.9	143.7	na	11.0	8.5	3.5%	3.9%	0.0%	0.0%
YG Entertainment Inc	122870 KS	Not rated	25300	na	395	nm	23.8	1.0	1.3	1.3	-0.8%	4.3%	0.6%	0.6%
Media Asia Group Holdings Ltd	8075 HK	Not rated	0.06	na	15	na	na	na	na	na	na	na	na	na
SM Entertainment Co Ltd	041510 KS	Not rated	39800	na	801	39.6	24.2	11.5	2.0	1.9	5.3%	8.0%	0.2%	0.4%
Simple average						240.7	63.9	6.2%	4.8	3.9	2.7%	5.4%	0.3%	0.3%
Simple average (overall excluding mm2)						100.4	36.9	19.7%	3.2	2.8	6.4%	8.5%	1.2%	1.3%

SOURCES: CGS-CIMB, COMPANY REPORTS, BLOOMBERG (as of 18 Nov 2019)

BY THE NUMBERS

Profit & Loss

(\$m)	Mar-18A	Mar-19A	Mar-20F	Mar-21F	Mar-22F
Total Net Revenues	192.0	266.2	294.1	311.7	333.8
Gross Profit	87.3	124.2	134.6	142.4	151.7
Operating EBITDA	62.9	75.1	107.9	117.0	126.3
Depreciation And Amortisation	(22.7)	(20.8)	(44.0)	(47.0)	(51.0)
Operating EBIT	40.3	54.3	63.9	70.0	75.3
Financial Income/(Expense)	(4.9)	(17.9)	(19.0)	(18.0)	(17.0)
Pretax Income/(Loss) from Assoc.	0.1	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	1.2	3.4	0.0	0.0	0.0
Profit Before Tax (pre-EI)	36.6	39.8	44.9	52.0	58.3
Exceptional Items					
Pre-tax Profit	36.6	39.8	44.9	52.0	58.3
Taxation	(7.1)	(11.1)	(12.6)	(13.5)	(15.2)
Exceptional Income - post-tax					
Profit After Tax	29.5	28.7	32.4	38.5	43.1
Minority Interests	(7.1)	(9.6)	(11.5)	(12.5)	(14.0)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	22.4	19.1	20.9	26.0	29.1
Recurring Net Profit	22.4	19.1	20.9	26.0	29.1
Fully Diluted Recurring Net Profit	22.4	19.1	20.9	26.0	29.1

Cash Flow

(\$m)	Mar-18A	Mar-19A	Mar-20F	Mar-21F	Mar-22F
EBITDA	62.9	75.1	107.9	117.0	126.3
Cash Flow from Inv. & Assoc.	(0.1)	(0.0)	0.0	0.0	0.0
Change In Working Capital	(57.3)	(55.0)	(86.2)	(31.5)	(20.8)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(0.0)	(2.2)	0.0	0.0	0.0
Other Operating Cashflow					
Net Interest (Paid)/Received	(4.5)	(17.6)	(19.0)	(18.0)	(17.0)
Tax Paid	(5.2)	(9.8)	(12.6)	(13.5)	(15.2)
Cashflow From Operations	(4.1)	(9.5)	(9.8)	54.0	73.3
Capex	(10.2)	(4.1)	(5.0)	(5.0)	(5.0)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(41.4)	10.3	(3.3)	0.0	0.0
Other Investing Cashflow	(0.0)	(22.9)	0.0	0.0	0.0
Cash Flow From Investing	(51.6)	(16.8)	(8.3)	(5.0)	(5.0)
Debt Raised/(repaid)	60.2	151.7	0.0	0.0	0.0
Proceeds From Issue Of Shares	64.1	0.0	0.0	0.0	0.0
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	124.2	151.7	0.0	0.0	0.0
Total Cash Generated	68.5	125.4	(18.1)	49.0	68.3
Free Cashflow To Equity	4.4	125.4	(18.1)	49.0	68.3
Free Cashflow To Firm	(50.8)	(8.4)	0.9	67.0	85.3

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(S\$m)	Mar-18A	Mar-19A	Mar-20F	Mar-21F	Mar-22F
Total Cash And Equivalents	93.2	18.6	0.4	49.4	117.7
Total Debtors	107.9	180.7	159.2	173.6	176.3
Inventories	0.4	0.4	0.4	0.4	0.4
Total Other Current Assets	34.7	88.0	99.3	101.0	102.7
Total Current Assets	236.3	287.6	259.4	324.4	397.1
Fixed Assets	42.1	36.4	35.6	34.6	33.4
Total Investments	2.6	2.8	2.8	2.8	2.8
Intangible Assets	299.2	333.3	366.6	370.7	374.8
Total Other Non-Current Assets	2.0	5.6	60.4	36.4	11.6
Total Non-current Assets	345.9	378.1	465.4	444.5	422.6
Short-term Debt	5.0	36.8	36.8	36.8	36.8
Current Portion of Long-Term Debt					
Total Creditors	273.0	131.4	80.1	85.7	93.4
Other Current Liabilities	13.0	27.4	42.4	42.4	42.4
Total Current Liabilities	291.0	195.6	159.3	164.9	172.6
Total Long-term Debt	61.0	186.2	186.2	186.2	186.2
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	10.5	5.9	68.9	68.9	68.9
Total Non-current Liabilities	71.4	192.1	255.1	255.1	255.1
Total Provisions	11.3	11.5	11.5	11.5	11.5
Total Liabilities	373.7	399.1	425.8	431.4	439.1
Shareholders' Equity	178.6	214.2	235.0	261.0	290.1
Minority Interests	29.9	52.5	64.0	76.5	90.5
Total Equity	208.5	266.6	299.0	337.5	380.6

Key Ratios

	Mar-18A	Mar-19A	Mar-20F	Mar-21F	Mar-22F
Revenue Growth	101%	39%	10%	6%	7%
Operating EBITDA Growth	52.1%	19.4%	43.7%	8.4%	7.9%
Operating EBITDA Margin	32.8%	28.2%	36.7%	37.5%	37.8%
Net Cash Per Share (S\$)	0.02	(0.18)	(0.19)	(0.15)	(0.09)
BVPS (S\$)	0.15	0.18	0.20	0.22	0.25
Gross Interest Cover	8.17	3.04	3.36	3.89	4.43
Effective Tax Rate	19.4%	27.9%	28.0%	26.0%	26.0%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Accounts Receivables Days	146.6	197.9	211.5	194.9	191.3
Inventory Days	1.86	1.00	0.83	0.78	0.73
Accounts Payables Days	557.1	519.8	242.6	178.7	179.5
ROIC (%)	48.6%	27.1%	13.2%	11.7%	12.8%
ROCE (%)	20.6%	14.0%	12.5%	12.8%	12.8%
Return On Average Assets	9.21%	7.47%	7.39%	7.56%	7.57%

Key Drivers

	Mar-18A	Mar-19A	Mar-20F	Mar-21F	Mar-22F
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)	65.4%	4.9%	5.2%	5.0%	5.0%
Newspaper adex rev. grth (%)	257.6%	123.7%	7.0%	5.0%	5.0%
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
Newsprint Cost (% Change)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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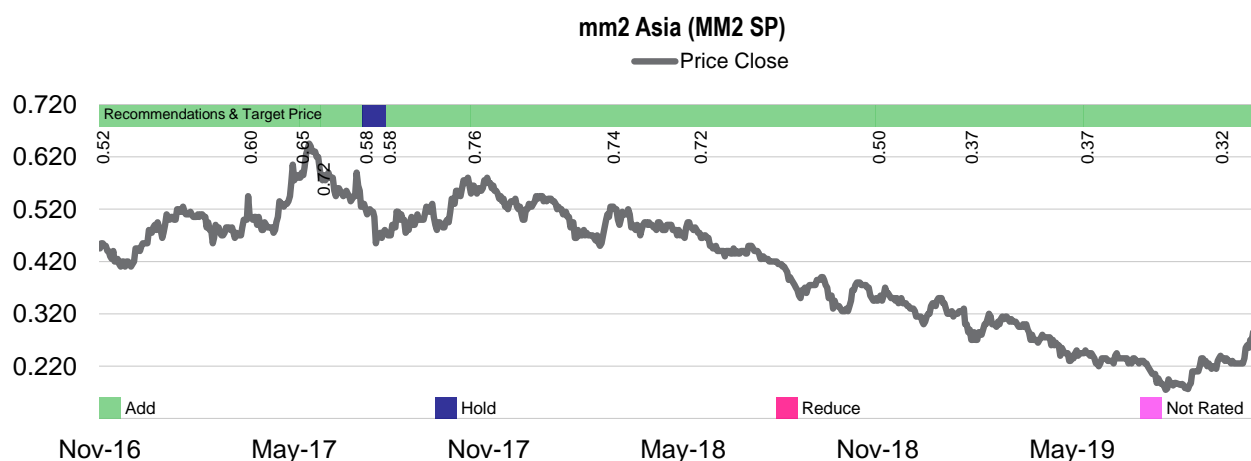
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Add	58.8%	0.9%
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Reduce	14.9%	0.1%

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 2018, Anti-Corruption 2018

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- 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.

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