MM2 Asia

SEA-based content producer & distributor expanding footprint in North Asia - Company Visit Note

We met with Mr. William Lau, Executive Advisor to the Chairman, Mr. Seng, CEO of Cathay, and Mr. LC Lim, Manager, at MM2, to discuss the future plans of the movie production, screening and event management firm. MM2's core movie/content production business (70% of profits) works on a contractual basis with stakeholders to produce movies. The company also manages and produces events (through 39%-owned subsidiary Unusual) and operates cinemas in Singapore (Cathay) and Malaysia. Management pointed to growth opportunities in: (1) North Asia (36% of revenues) being 5x the size of its traditional Singapore/Malaysia markets; (2) upside from event management subsidiary Unusual's increasing contributions over the next two years; and (3) synergies from cinema operations and upside from efficiency gains. Further, management expects the listings/stake sales of subsidiaries to help monetize value for MM2.

- **De-risked nature of core production business and healthy pipeline in new geographies:** MM2's film/content business (49% of revenues) derives its core content revenues through the contractual production of films/content, protecting it from poor box office performance while ensuring good returns (30-55% gross margins across geographies). Management sees a healthy pipeline of movies (minimum 30-35 films over 18 months). Steady expansion into North Asia markets is expected to drive revenues (7x over the last two years) as markets like China boast 5x the budgets of SEA films.
- **Event subsidiary Unusual's expansion in China and expectations of efficiency gains from cinema:** Management expects Unusual (24% of revenues) to expand 2x over the next two to three years, led by China. Management also expects to drive higher asset turnover in its cinemas business (23% of revenues) by maximizing ancillary revenue streams.
- **Consensus valuation and earnings profile:** MM2 stock has underperformed the index by 22% over the last year. The stock currently trades at a 14.4x 12M fwd P/E multiple on consensus valuations. The Street expects c22% earnings growth over the next two years. FY18 earnings grew 65% y/y.

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Table 3: MM2 Asia Ltd (Reuters: MM2A.SI, Bloomberg: MM2 SP), Historical financial data

S$ in millions, year-end 31 March	2016	2017	2018
Sales	38.3	95.7	192.0
Gross profit	18.4	45.3	88.3
EBITDA	19.3	41.8	63.2
PATMI	8.2	17.5	26.5
EPS (in cents)	0.9	1.7	2.3
Shareholders' equity	36.2	85.2	182.7
Net debt/equity %	-4.6%	-14.6%	-9.6%
Net working capital/sales %	27.9%	18.0%	-28.2%
Return on invested capital %	31.1%	29.3%	17.6%
Return on equity %	29.5%	28.9%	19.8%
P/E ratio (YE)	28.9	27.6	22.4
P/B ratio (YE)	6.5	5.7	3.2
Dividend yield %	0.0%	0.0%	0.0%
EV to EBITDA (YE EV)	12.19	11.51	9.54

Source: Company data. Year-end share prices used: FY16: 0.27, FY17:0.47, FY18: 0.51.

Conglomerates & Multi-industry

Ajay Mirchandani AC
(65) 6882-2419
ajay.mirchandani@jpmorgan.com
Bloomberg JPMA MIRCHANDANI <GO>

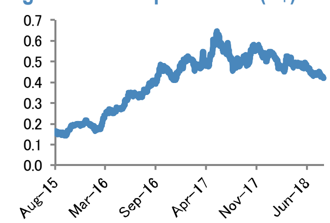
Utkarsh Mehrotra AC
(65) 6882-1625
utkarsh.mehrotra@jpmorgan.com

J.P. Morgan Securities Singapore Private Limited

MM2 SP Equity, Not Covered

S$0.42, August 14, 2018

Figure 1: Share price chart (S$)



Source: Bloomberg. Past results are not an indicator of future performance.

Table 1: One-year price performance

	1M	3M	12M
Absolute (%)	-3.4%	-12.5%	-11.6%
Relative (%)	-2.9%	-4.1%	-10.0%

Source: Bloomberg. Past results are not an indicator of future performance.

Table 2: Company data

52-wk range (S$)	0.415-0.585
Mkt cap. (S$ mn)	488
Mkt cap. (US$ mn)	354
Shares O/S (mn)	1163
Free float (%)	44%
3M avg. daily volume	0.9
3M avg. daily value (S$ mn)	0.4
Exchange rate	1.4
STI Index	3234
Year-end	Mar

Source: Bloomberg.

See page 29 for analyst certification and important disclosures, including non-US analyst disclosures.

Ajay Mirchandani
(65) 6882-2419
ajay.mirchandani@jpmorgan.com

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Ajay Mirchandani
(65) 6882-2419
ajay.mirchandani@jpmorgan.com

Business snapshot

MM2 Asia Limited is a media and entertainment company based out of Singapore. The company's core business is content production and distribution services (49% of revenues). It also provides post-production services (3% of revenues) through its subsidiary Vividthree. It operates cinema houses (23% of revenues) in Singapore (Cathay) and Malaysia and manages event and concert production and promotion (24% of revenues) through its listed subsidiary Unusual Ltd. The group derived 47% of its revenue from Singapore in FY18, 17.4% from Malaysia, 21.4% from China and 7.5% from Taiwan. Some of the group's works include Singapore local hits like "Ah Boys to Men," which broke local box office records, and "Vampire Cleanup Department," which was one of Hong Kong's top 10 films in 2017.

In the past three years, revenues have grown by a CAGR of 124%, gross profits have grown by 121.8%, and net profits have grown by 103.6%. Group revenue has increased substantially across all geographies, with most growth in North Asian cities: Taiwan (3Y CAGR 193%), China (3Y CAGR 169%) and Hong Kong (3Y CAGR 188%).

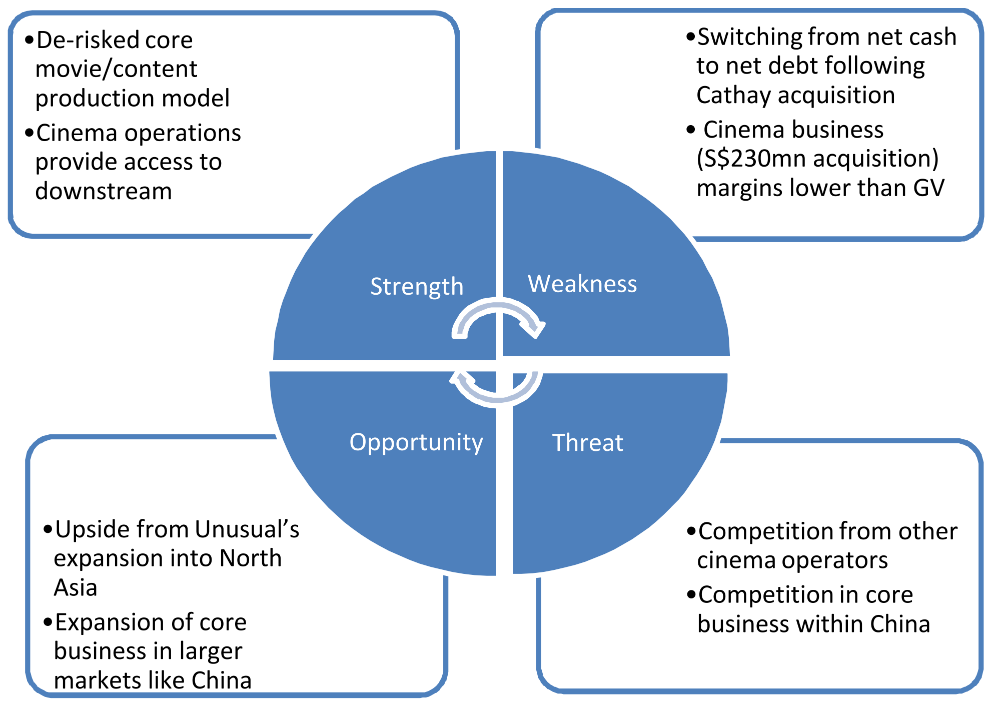
Takeaways from our meeting

- **Differentiated and de-risked content/movie production model:** Management highlighted the key difference in MM2's content production model that de-risks it from actual movie performance/viewership results. Unlike other studios or production houses, MM2 offers its services as a professional producer, rather than taking up equity ownership in the production of content. MM2 rarely takes up more than 10% equity in a project and pitches in only to bridge a funding gap. At the same time, MM2 takes up 50-100% of the intellectual property rights to a movie to exploit over other platforms and is entitled to the producer's bonus (8% of every dollar earned from box office sales above investment). Thus, it benefits from a movie's/production's success. Production cost is managed to be around 45-55% of the producer's fee charged, giving MM2 stable and significant profit margins. MM2's production pipeline has expanded from 6 in FY14 to 18 in FY17 and is projected to be 42 in the 18 months ending September 2018. Management believes it can conservatively achieve 25 production titles every year. This could translate into a 25-30% run rate for earnings improvement for the core content business, per management. Exposure to more TV series with higher budgets could be an added catalyst, per management.
- **North Asia opportunity 5x Singapore:** MM2 has started to make headway into China, which currently contributes around 21% to revenues. Malaysian film budgets are typically S$300k-1mn, Singapore film budgets S$1-2mn and Taiwan/HK around S$5mn, while films in China are made on budgets of S$10mn on average. Producers' fees are proportional to film budgets, so management sees a much larger opportunity in China. Margins are smaller in China, at 30-40%, but given the size of the films, MM2 earns substantially more on an absolute basis, per management. MM2 is entering into the production of TV series, as well, in Taiwan and China. Given higher budgets, management believes this should be accretive, as well.

Ajay Mirchandani
(65) 6882-2419
ajay.mirchandani@jpmorgan.com

- **Event and cinema businesses provide additional upside, per management:** Management sees the events business under Unusual doing very well, and sees synergies and cross-selling potential between MM2 and Unusual's businesses. Unusual's entry into Mainland China is also expected to propel revenues and earnings, especially after Unusual's acquisition of Beijing Wish. Management believes Unusual can move from 60 shows per year to 1,000 in the long term. On the cinema business, MM2 believes it complements the core production business well, increasing its negotiation power with stakeholders. Both the Malaysian and Singapore cinema businesses are profitable. Management sees substantial potential to drive current utilization levels higher (from 30%), along with advertising revenues (from 3% now to 10%) and looks to sweat the assets better.

SWOT



Source: J.P. Morgan, Company data.

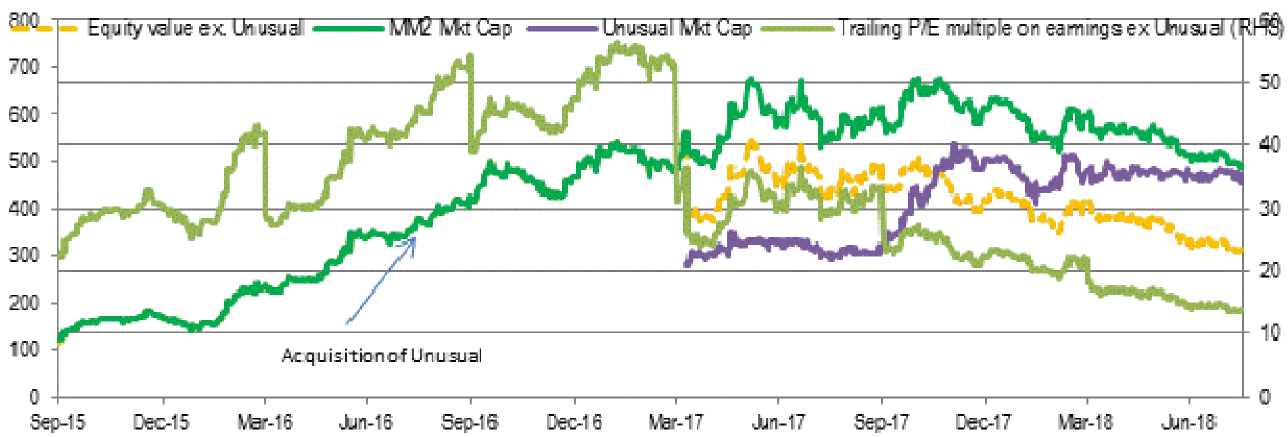
Ajay Mirchandani
(65) 6882-2419
ajay.mirchandani@jpmorgan.com

Market cap trends excl. attributable market cap of Unusual

MM2 announced its acquisition of Unusual in August 2016. Since Unusual's listing, its market cap has grown, while MM2's stock has relatively underperformed. We show below the progression of the equity value of the MM2 business excluding the share attributable to Unusual. In terms of trailing P/E, the valuation multiple has come down since prior to the acquisition. Earnings for MM2's traditional business have grown over the same period.

Out of MM2's S$488mn market cap, around S$177mn is attributable to its stake in Unusual (at market value). MM2 acquired the Cathay asset for S$230mn in 2H17.

Figure 2: Trend of equity value attributable to MM2's businesses excl. Unusual stake



Source: Bloomberg, J.P. Morgan. Past results are not an indicator of future performance.

The recent sale of Unusual shares (5.4% in Apr-18) to Prince Qawi of Brunei and Mr. Ron Sim (Osim) was made at the market price (1% discount). This slightly diluted MM2's shareholding from 42% to 39%. Vividthree's proposed IPO could add to the monetization of stakes in subsidiaries.

Table 4: Peer valuations

Company	Ticker	Price (LC)	ADV 3M	Market cap (US$ M)	EBIT margin (%) LFY	P/E (x) 1FY	P/E (x) 2FY	EV/EBIT (x) 1FY	EV/EBIT (x) 2FY	ROE (%) 1FY	ROCE (%) LFY	Net debt/ EBITDA (x) LFY
MM2 ASIA LTD	MM2 SP	0.42	368	355	22	14.5	12.4	9.1	7.7	18.2	18.0	0.6
Peers engaged in content production and distribution												
TOHO CO LTD	9602 JP	3,400	1,347,725	5,742	18	20.0	17.4	NA	NA	8.6	9.0	(1.7)
TOEI CO LTD	9605 JT	12,550	227,744	1,654	14	15.8	15.3	NA	NA	6.2	7.4	(1.6)
VILLAGE ROADSHOW	VRL AU	2	961	289	9	NA	21.7	35.6	14.6	(1.3)	12.7	NA
IHQ INC	003560 KS	1,940	3,464,934	250	11	22.6	14.6	NA	NA	5.4	1.1	(1.0)
VHQ MEDIA	4803 TT	156	147,094	190	36	NA	NA	NA	NA	NA	16.5	1.8
WALT DISNEY CO	DIS US	113	894,370	166,750	25	15.9	15.0	12.7	12.4	25.3	18.3	1.1
LIONS GATE-A	LGF/A US	25	16,725	4,911	5	23.7	16.4	20.7	20.5	5.9	6.5	7.1

Source: Bloomberg.

Management believes the integration of businesses from ideation, production, film distribution and screening gives it differentiated advantages. The ability to use this expertise across related businesses like events (Unusual) and animation/VFX (Vividthree) are plusses, per management. Management sees considerable overlap and synergies from operating businesses across the spectrum of the value chain. It believes this is a differentiator for MM2 vs. other content-led companies.

Management also sees MM2 as a key play on the growing spend on entertainment and content across growing economies. Given Asia's relatively muted expenditures on entertainment in comparison to more developed nations like the United States, the potential for growth is large, per management. The increasing scale and popularity of Asian music artists adds to this upside, in management's view.

Meeting **notes on core content business**

Management highlighted differing business structures across markets. Movie budgets vary across regions, with Singapore/Malaysia-based movies typically commanding S$1-2mn budgets, while HK/Taiwan-based movies are made for closer to S$3mn. Movies in China command higher budgets of S$10mn, while TV shows can go as high as S$15mn. Since a very large part of MM2's production revenues is based on producers' fee linked to a movie's budget, MM2 stands to gain from entering larger markets, per management.

MM2 typically gets a majority of its income as a producer's fee for commercializing a project. GP margins are typically 45-55%. The company generally acquires the intellectual property rights of a project (ranging from 50% rights to full rights). Sponsorship income (15% attributed to producers and the rest to the project) is an additional source of revenue, along with government grants. Government grants can fund as much as 50% of a project and are more common in Singapore, Malaysia and Taiwan, per management. MM2 also has exposure to upside from the box office performance of blockbusters. It gets a producer's bonus that is 8% of the dollars earned above budgeted investment. The typical ROI for projects is 20-30%. Future plans include the monetization of its existing library as the production pipeline grows.

A typical project is given the green light if 30-50% of the stated budget has been raised from stakeholders/sponsors. MM2's key expertise lies in managing and acquiring talent for movies, and in managing budgets while maintaining quality and time-bound delivery. MM2 expects better funding of its ventures going forward through the utilization of non-traditional sources and the negotiation of better terms with respect to government grants. Management believes this should maintain adequate cash flow to fund expansion.

Management believes that, outside of its traditional markets of Singapore and Malaysia, where it dominates, it is relatively well known in Taiwan and Hong Kong. It is a very small player in Mainland China and is looking to expand in this geography. The company currently has five studios – one each in Malaysia, Singapore, Taiwan, HK and Beijing. An additional office in Shanghai is geared primarily toward marketing and sales functions.

Meeting notes on events and cinema businesses – Cathay and Unusual

Cathay

On 13 June 2017, the group entered into a sales and purchase agreement to purchase Village Cinema's (a wholly owned unit of Village Roadshow) 50% stake in Dartina Development Limited, the holding company of Golden Village Cinemas, the largest operator of cinemas in Singapore. The purchase consideration was S$182mn, valued at 10.5x FY16 EBITDA. The proposed effect of the purchase was estimated to increase NTA per share from 4.65 cents to 22.22 cents and EPS from 1.79 cents to 2.80 cents.

The company placed 87,748,000 new ordinary shares in its capital at a price of S$0.57 per share to finance the acquisition. It also entered into subscription agreements for the issuance of an aggregate of S$93mn of convertible bonds and convertible notes. On 21 July 2017, the company announced that Village Cinema did not receive the necessary approvals from Golden Screen Limited, the remaining 50% holders of Dartina, and hence the acquisition did not go through. On 2 October 2017, the holding company of Golden Screens Limited announced an agreement to buy the remaining 50% stake in Dartina from Village Roadshow for S$175.8mn. MM2 called for an early redemption of the bonds and notes worth S$93mn in October 2017.

Management thinks the failure of the Golden Village deal to go through could have had some adverse effect on its stock performance. MM2 had announced in July 2017 the failure of its offer to acquire a 50% stake in the Golden Village cinema chain in Singapore for S$184mn. The seller, Village Cinemas Australia, could not obtain approval for the sale from its partner (and 50% owner) Golden Screen.

Golden Village is the largest cinema chain in Singapore, commanding a 40% market share (per news reports), with almost 100 screens across 12 cineplexes. MM2 instead acquired Cathay Cineplexes, the #2 player, for a total consideration of S$230mn. At the time of the buyout in November of last year, Cathay had a total of 64 screens across eight locations in Singapore with a seating capacity of 11,569. The business generated EBITDA of S$16.66mn for 2016. After the acquisition, MM2's cinema operations spanned 27 locations with 206 total screens. It is the fourth-biggest operator in Malaysia for cinemas, with 18 cineplexes.

Table 5: Assets and liabilities acquired from Cathay

S$ in millions

Cash and cash equivalents	9.2
Trade and other receivables	2.7
Inventories	0.1
Intangible assets	0.0
Property, plant and equipment	11.2
Brand	17.1
Total assets	**40.3**
Trade and other payables	(7.3)
Provisions	(3.7)
Current income tax liabilities	(1.1)
Deferred income tax liabilities	(3.9)
Total liabilities	**(16.0)**
Total identifiable net assets	24.3
Add: Goodwill	205.7
Total purchase consideration for the acquisition	230.0

Source: Company data.

Goodwill from the acquisition of Cathay cinemas amounted to S$205.7mn. Goodwill is impaired on an annual basis, if required. The impairment amount is determined by management through the value-in-use method.

Unusual

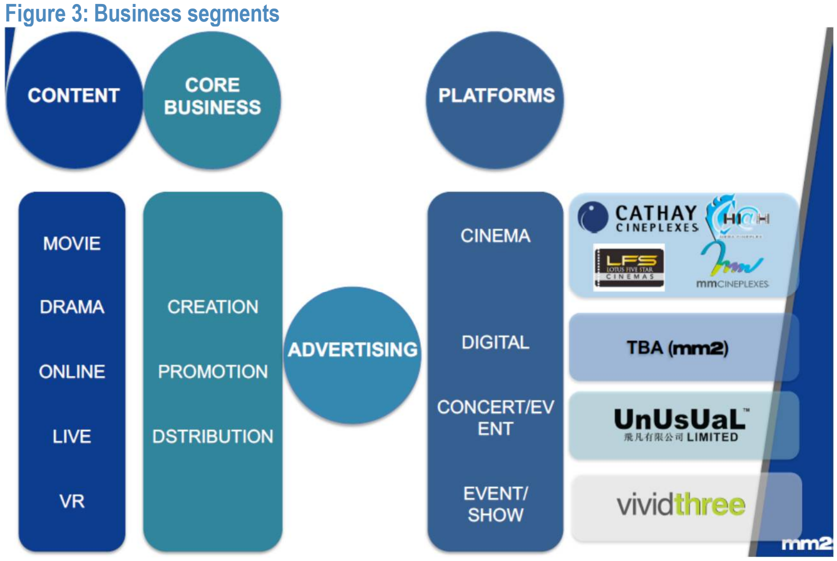
MM2 management sees large growth potential from Unusual's operations. Unusual is an event management company with exposure across the value chain in terms of the production and marketing/distribution of events like concerts, shows, etc. Management believes the model is highly scalable and well placed to leverage MM2's presence in the North Asia market. Revenues are generated from ticket sales, while the majority of costs are performers' fees, operational and manpower costs and event management expenses. Given that Unusual manages production aspects, as well, popular events can easily be scaled, adding flexibility and reducing costs, per management.

Company background

MM2 Asia Limited is a media content provider in Asia. The company's core business provides content production and distribution services. It also provides post-production services, operates cinema houses and manages event and concert production and promotion.

The company's core business is content production, distribution and sponsorship. It provides services across the production and distribution process, including the conceptualization of an idea, script writing, securing of finances, assembly of a team of writers, directors etc., production management and content distribution through various channels.

Figure 3: Business segments



Source: Company data.

Vividthree Productions Pte. Ltd. provides post-production services for the group, including 3D stereoscopic animation, 3D animation and visual effects for films and commercials. MM2 Asia also operates 197 cinemas in Malaysia and Singapore.

The event and concert production and promotion segment operates under Unusual Ltd. Unusual is listed on the Catalist board of the SGX. Unusual produces and promotes large-scale events and concerts. It specializes in providing technical and creative solutions for these events in Singapore and the region.

Table 6: MM2 Asia's stake in its business segments

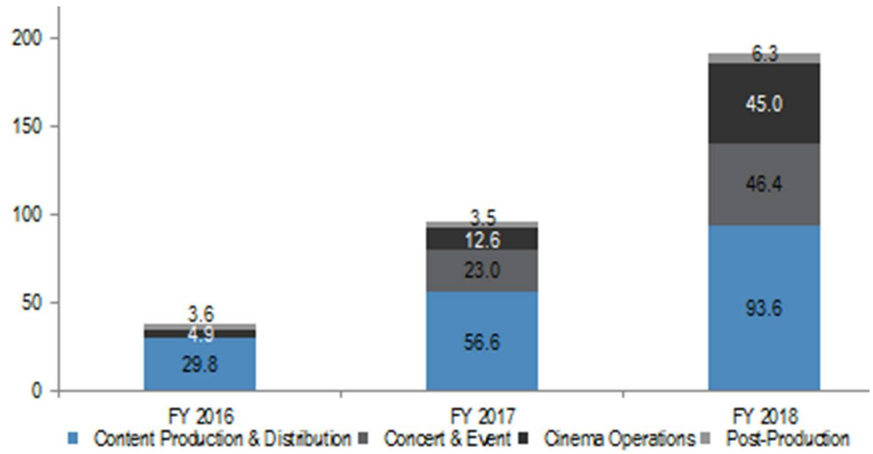
Content production & distribution	100%
Cinema operations	100%
Post-production services	51%
Concerts/events	51%
Dick Lee Asia Pte. Ltd.	51%
RINGS.TV	51%

Source: Company data.

Apart from the four business segments, the company also gets revenue from café operations, software development and social media advertising activities. MM2 Asia has a 51% stake in Dick Lee Asia Pte. Ltd., which is involved in dramatic arts, music and other arts production-related activities. The group uses the platform for content production beyond movies. MM2 Asia also has a 51% stake in RINGS.TV, an interactive digital media platform.

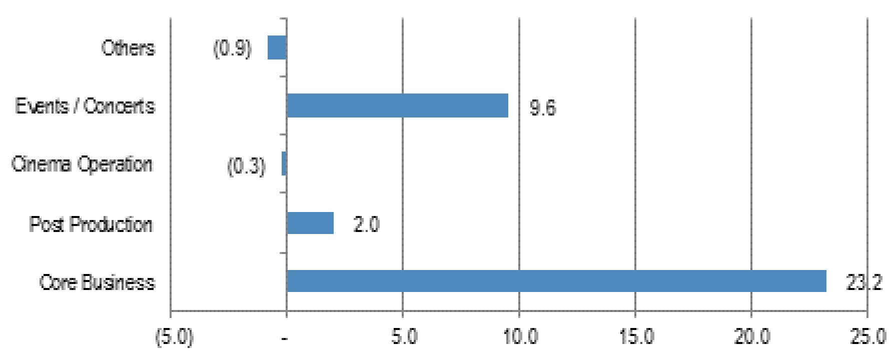
The company is headquartered in Singapore with subsidiaries and representative offices in Malaysia, Hong Kong, Taipei, Shanghai, Beijing and the U.S. It listed on the Catalist board of the Singapore Stock Exchange on 9 December 2014 and was shifted to the Main board on 7 August 2017.

Figure 4: Revenue breakdown and evolution
S$ in millions



Source: Company data.

Figure 5: Net profit breakdown by segment, FY18
S$ in millions



Source: Company data. Core business is content production and distribution.

Ajay Mirchandani
(65) 6882-2419
ajay.mirchandani@jpmorgan.com

Content production, distribution and sponsorship

The core business's contribution to total revenue was 49% in FY18. It has a gross profit margin of about 45-55% in Singapore and Malaysia and about 30% in China, per management.

The company is Singapore's leading movie producer. It has produced local hits like "Ah Boys to Men," which broke local box office records. It also produces content for the region. Production "Vampire Cleanup Department" was one of Hong Kong's top 10 films in 2017.

Figure 6: Core business and fee model for films

Process	Income	Description
Idea conceptualization		Receives ideas from clients and generates ideas in-house
Script writing	Script development fee	Helps clients develop scripts for ideas with its in-house team or outsources to an outside scriptwriter
Budget		Creates a budget that includes all costs that will be incurred during the production process, including its own fees; the entire budget is booked as revenue
Securing sponsorship & finance		A project usually moves ahead if it is able to secure 30-50% of the budget from stakeholders and sponsors; takes an equity stake only to bridge a funding gap up to 10%
	Government subsidies	Receives government grants from Malaysia, Singapore and Taiwan – a grant can be up to 50% of a project's budget and is usually received after a project is completed
Production	Producer & consultancy fee	Manages the entire production process and earns most of its income as producer fee income; low operational risk, as income is not tied to a film's performance
	Related services fee	Provides pre-production, principal photography and other related services
Distribution	Distribution income	Income received for providing distribution services for own and third-party content, script licensing, adaptation and sequel rights
	Exploitation of copyrights	Tries to obtain ownership/IP stake of 50-100% in content produced
	Producer bonuses	For films it has a stake in, receives 7-8% producer bonus for every dollar made above stakeholders' investment

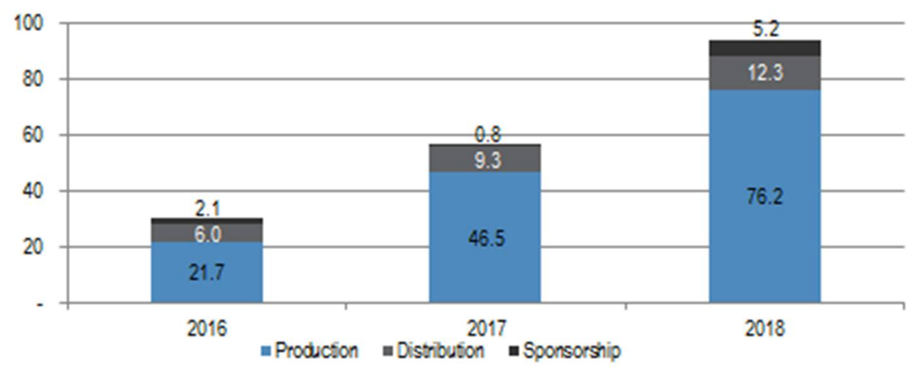
Source: Company data.

The company has five studios, in Singapore, Taiwan, Hong Kong, Malaysia and Beijing. Production budgets are biggest in China, at around S$10mn. Taiwan and Hong Kong typically have budgets of S$3-5mn and Singapore around S$1-2mn, while Malaysia budgets can be as low as S$300K, with a high-budget movie costing S$1mn, per management. The effort and time to produce content and the margins across the five production houses are similar, per management. The revenue generated per product is smaller in Singapore and Malaysia than in North Asia due to the size of the market – as producers' fees are proportional to film budgets.

The company provides marketing and distribution services for its own and third-party content through various platforms, like cinemas, Pay TV, Free TV, online, DVD, airlines and others. It has a partnership with Fox to distribute content online and usually partners with regional market players for distribution in regional markets. The distribution of “The Journey” in Malaysia earned M$17.2mn. It is the highest-grossing local Chinese film. The distribution of the first four installments of “Ah Boys to Men” became Singapore’s top 4 highest-grossing films of all time.

The group also receives revenue for producing advertising content for clients and ad agencies. The content includes commercials, branding videos, social media videos and short films. MM2 provides services from conceptualization to post-production.

Figure 7: Revenue breakdown trend for core content production business
S$ in millions



Source: Company data.

MM2 is focused on creating high-quality content for its library. It estimates 15-20 new additions to its library every year. The company has 42 films in the pipeline from March 2017 to September 2018. Per management, the focus in content production is shifting toward TV series, where margins are higher.

Figure 8: Projects in FY18/FY19

Source: Company data.

Table 7: List of Singapore movies and their box office – with MM2's productions highlighted

Title	Release date	Produced by	Singapore gross box office (S$)
2017			
The Fortune Handbook	21-Jan-17	mm2 Entertainment	1,086,156
Take 2	26-Jan-17	mm2 Entertainment	1,411,588
Siew Lup	23-Feb-17	mm2 Entertainment	88,884
Pop Aye	13-Apr-17	Giraffe Pictures, E&W Films	96,348
Lucky Boy	18-May-17	Clover Films, mm2 Entertainment, FOX International Channels, J Team Productions	451,868
Wonder Boy	3-Aug-17	mm2 Entertainment	76,611
In Time To Come	1-Oct-17	BFG Media	14,500
Ah Boys to Men 4	9-Nov-17	J Team Productions, mm2 Entertainment	5,049,802
Chennai2Singapore	7-Dec-17	Comicbook	9,000
2016			
Long Long Time Ago Part 1	4-Feb-16	J Team Productions	4,136,087
Let's Eat	5-Feb-16	Clover Films	45,000
In the Room	25-Feb-16	Zhao Wei Films	52,423
The Songs We Sang	24-Mar-16	The Songs We Sang Pte. Ltd	133,879
Long Long Time Ago Part 2	31-Mar-16	J Team	3,026,869
The Faith of Anna Waters	12-May-16	Boku Films	261,895
Young & Fabulous	26-May-16	Encore Films	1,316,206
Distance	2-Jun-16	Giraffe Pictures	57,215
Apprentice	30-Jun-16	Peanut Pictures, Akanga Film Asia, Zhaowei Films	270,306
My Love Sinema	8-Sep-16	Fly Entertainment	109,363
Lulu the Movie	24-Nov-16	Huat Films	2,008,758
4 Love	1-Dec-16	mm2 Entertainment	25,778
A Yellow Bird	8-Dec-16	Akanga Film Asia	21,961
2015			
Bring Back the Dead	8-Jan-15	Weiyu Films, mm2 Entertainment	376,973
Ah Boys to Men 3: Frogmen	19-Feb-15	J Team Productions, mm2 Entertainment	7,622,953
King of Mahjong	19-Feb-15	Zingshot Productions, Rex Film Productions, Clover Films, Asia Tropical Films	820,000.00
Unlucky Plaza	16-Apr-15	Kaya Toast Productions	64,580
Rubbers	30-Apr-15	18g Pictures	110,000
Ms. J Contemplates Her Choice	2-Jul-15	Oak 3 Films	5,533
1965	30-Jul-15	Blue 3 Pictures, mm2 Entertainment	613,841
7 Letters	21-Jul-15	Chuan Pictures	331,882
3688	17-Sep-15	Chuan Pictures, mm2 Entertainment	461,316
Our Sister Mambo	15-Jul-15	Cathay Organisation	221,302
Mr. Unbelievable	3-Dec-15	mm2 Entertainment, Clover Films, Byleft Productions, NB Productions	560,526

Source: Info-communications Media Development Authority.

Post-production

The post-production arm was added to the group with the acquisition of a 51% stake in Vividthree Productions Pte. Ltd. in April 2015 for S$3.06mn. The segment's contribution to group revenue is c3%.

Vividthree is a visual effects 3D animation and computer-generated imagery (CGI) studio in Singapore. It provides a full range of post-production services for commercials, films and television content.

Vividthree received approval from the company's Board for a spin-off at the end of January 2018. On 23 April 2018, the company entered into a redeemable convertible loan agreement with R3 Asian Gems, an investment firm sponsored and co-managed by Ron Sim, the founder of OSIM. Per the agreement, R3 Asian Gems will invest S$2mn for the subscription of mandatory convertible notes for a term of two years. If a listing takes places, the notes will be converted into ordinary shares in Vividthree Holdings at a discount of 15% from the IPO price. If a listing does not take place within two years, a coupon payment of 2% pa will be given at maturity.

Ajay Mirchandani
(65) 6882-2419
ajay.mirchandani@jpmorgan.com

Cinema operations

The company entered the cinema operations business in November 2015 with its acquisition of two cinemas from Cathay Cineplexes Sdn Bhd in Malaysia. As of April 2018, the group had 197 screens in 25 locations in Singapore and Malaysia.

On 24 November 2017, the group completed the acquisition of Cathay Cineplexes Pte. Ltd. for an agreed consideration of S$215mn. The adjusted EBITDA of Cathay for FY17 amounted to S$16.66mn (for seven screens). Under the agreement, MM2 Asia paid S$15mn upfront and deferred the payment of the remaining S$215mn. The company issued convertible notes and bonds amounting to S$47.85mn and entered into a facility agreement for S$115mn to finance the acquisition. The convertible notes bear a 2% annual interest rate with a maturity date of the earlier of: (1) an IPO date; or (2) the third anniversary of the date of the issuance of notes (7 February 2018). The conversion price would be at a 15% discount to the IPO price.

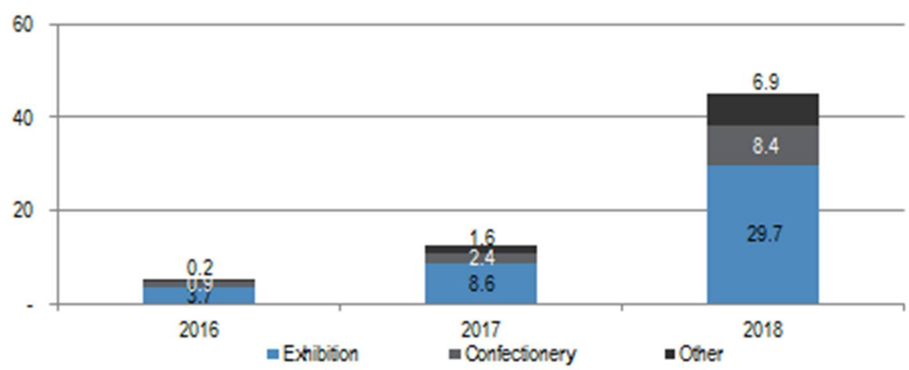
Table 8: MM2's acquisition of cinemas – timeline

Date	Acquired from	No. of cinemas	No. of screens	Location	Price (S$ M)	Profit contribution (S$)	Annualized profit (S$)
Nov-15	Cathay Cineplexes Sdn Bhd	2	30	Malaysia	13.8	91,965	220,716
Jul-16	Mega Cinemas Management Sdn Bhd	3	13	Malaysia	6.9	145,429	193,905
Sep-17	Lotus Fivestar Cinemas (M) Sdn Bhd	13	90	Malaysia	34.0	264,000	528,000
Nov-17	Cathay Cineplexes Pte. Ltd.	8	64	Singapore	230	NA	NA

Source: Company data. In Malaysia, the Lotus cinemas are in Selangar, Sarawak, Penang, Perak, Johor, etc.

The company receives income from selling movie tickets, food and beverages and other services, such as hall rentals, screen advertising, ticket booking fees, blanket and pillow rentals and virtual printing fees. Management believes the company now has the added advantage of being a producer and controlling the distributor channel, which makes it stand out among competitors. The cinema operation's contribution to group revenue is 24%.

Figure 9: Revenue breakdown trend for MM2's cinema operations
S$ in millions



Source: Company data.

Ajay Mirchandani
(65) 6882-2419
ajay.mirchandani@jpmorgan.com

Table 9: P&L trends for MM2's cinema operations

S$ in millions	2016	2017	2018
Revenue	4.9	12.6	45.0
Cost of sales	2.0	5.0	16.8
Gross profit	**2.8**	**7.6**	**28.2**
Operating expenses (excl. D&A)	2.3	6.2	22.7
Adjusted EBITDA	**0.6**	**1.4**	**5.5**
EBITDA margin	11.7%	11.2%	12.3%
Depreciation	0.3	0.8	3.9
Amortization	-	-	0.1
EBIT	**0.3**	**0.6**	**1.5**
EBIT margin	6.1%	5.0%	3.4%
Interest	0.1	0.5	1.3
PBT	**0.2**	**0.1**	**0.2**
PBT margin	3.3%	1.0%	0.5%
Tax	0.0	0.2	0.5
Net profit	**0.1**	**(0.1)**	**(0.3)**
Net profit margin	**2.4%**	**-0.5%**	**-0.6%**

Source: Company data.

Trends in cinema operation industry

Table 10: Number of screens and cinemas of Malaysia cinema operators

Rank	Cinema operators	No. of cinemas	No. of screens
1	Golden Screen Cinemas	35	328
2	TGV Cinemas Sdn Bhd	34	268
3	MBO Cinemas	27	213
4	MM2 Screen Management Sdn Bhd	17	133

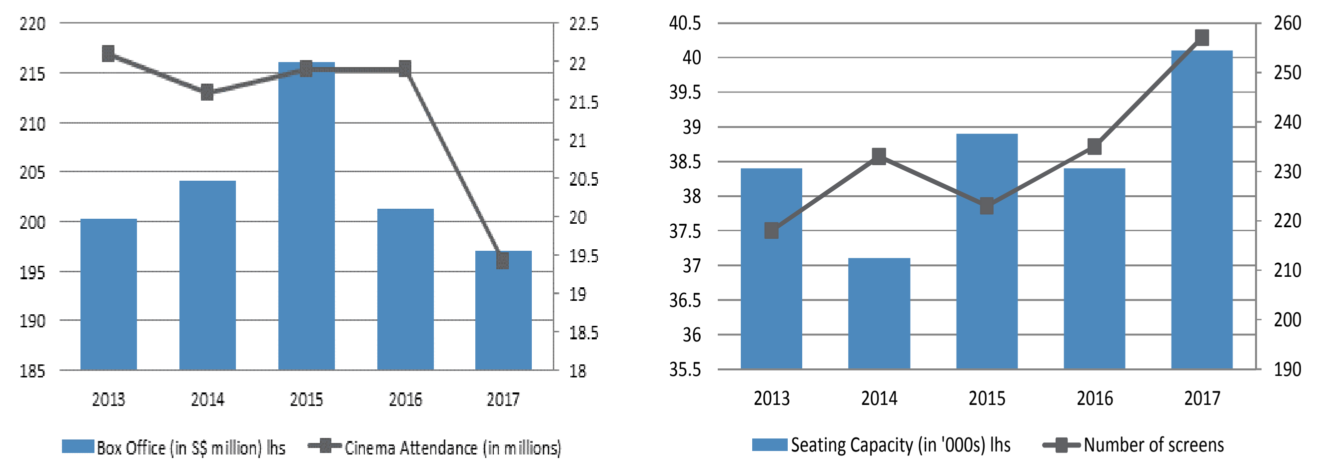
Source: J.P. Morgan.

Figure 10: Seating capacity and screens of Singapore cinema operators, as of 2017

Year	No. of Screens	Seating Capacity
Golden Village	99 [22 are 3D] (excluding Capitol)	15,466
Cathay	64 [25 are 3D]	11,364
Shaw	80 [3 IMAX, 23 are 3D]	8,705
Filmgarde	14 [3 are 3D]	2,205
WE Cinemas	10 [2 are 3D]	746

Source: Info-communications Media Development Authority.

Figure 11: Overview of Singapore cinema industry



Source: Info-communications Media Development Authority.

Event production and concert promotion

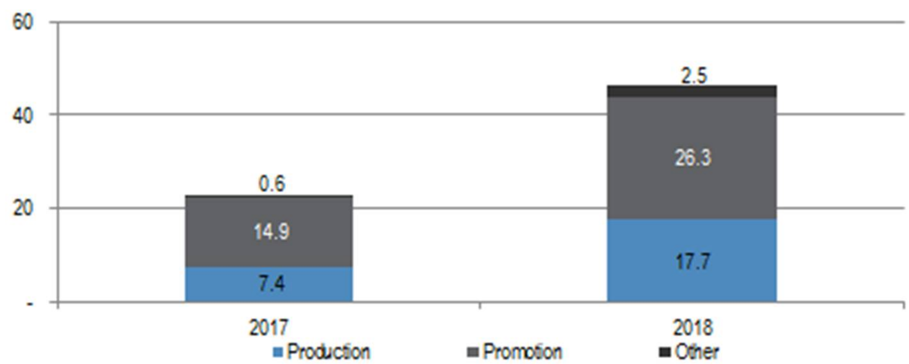
On 11 August 2016, the group acquired a 51% stake for S$26mn in Unusual Pte. Ltd. Unusual produces and promotes large-scale events and concerts. Unusual listed on the Catalist board of the SGX on 10 April 2017.

Under the production segment, Unusual manages the creative and technical aspects of an entire event, including conceptualization, set design and creation, the rental and installation of sound, light and video equipment, and providing other technical and creative solutions. It receives revenue from the renting of stage and equipment and providing technical and creative services.

The promotion segment looks after the planning and management of events and concerts. This includes venue and date selection, coordinating ticketing matters and the marketing and promotion of events and concerts. Revenue is in the form of admissions fees and sponsorships. It also receives fees for the co-management of The Max Pavilion in Singapore Expo and the rental of related equipment in the pavilion.

Unusual has partnered with Singapore Art Festival, the Chingay Parade, SG50 Youth Celebrate! and the Formula One Grand Prix to provide technical solutions. It has promoted performances by both Asian and international artists that have been sold out. Its portfolio includes artists like Backstreet Boys, Chang Hui Mei, Jacky Cheung, JJ Lin and Foo Fighters, to name a few.

Figure 12: Revenue breakdown trend of MM2's events/concert segment
S$ in millions



Source: Company data.

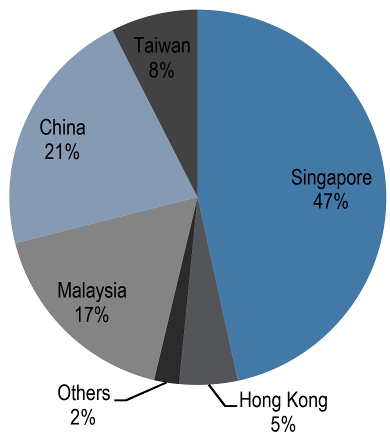
The segment's share of group revenue in FY18 was 24%. The company has produced and promoted more than 150 concerts and 200 events. It produced 21 concerts in FY18.

Ajay Mirchandani
(65) 6882-2419
ajay.mirchandani@jpmorgan.com

Regional presence

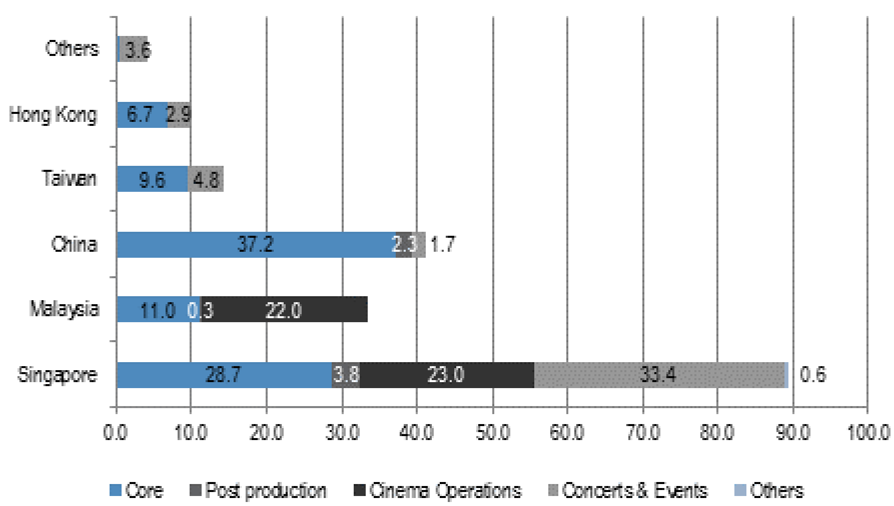
The company provides content and services in Singapore, Malaysia, Hong Kong, Taiwan, China and the U.S. It started its core business in Singapore and Malaysia, with 90% of revenue coming from these two regions. It has increased its focus in North Asia, with the region contributing 36% to total revenue.

Figure 13: Revenue breakdown by region, FY18



Source: Company data.

Figure 14: Revenue breakdown by segment and region, FY18
S$ in millions

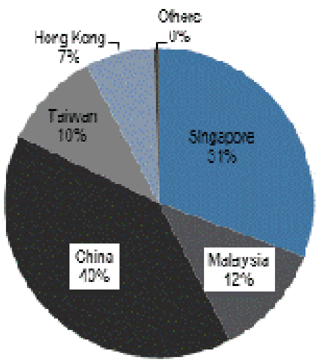


Source: Company data.

Ajay Mirchandani
(65) 6882-2419
ajay.mirchandani@jpmorgan.com

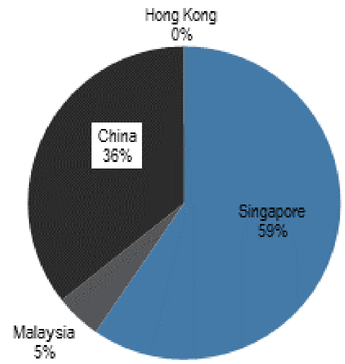
Revenue breakdown for each segment by region, FY18

Figure 15: Content production, distribution and sponsorship



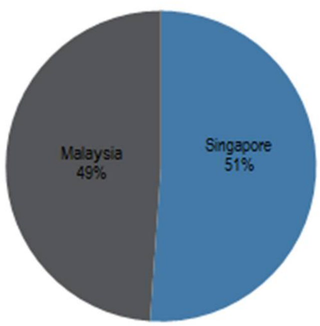
Source: Company data.

Figure 16: Post-production



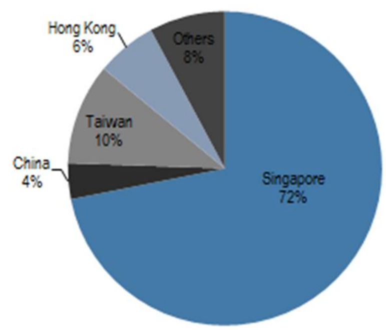
Source: Company data.

Figure 17: Cinema operations



Source: Company data.

Figure 18: Concerts and events



Source: Company data.

Financial summary

Income statement

Table 11: Income statement: Yearly

S$ in millions, year-end March	2016	2017	2018	*16-17 chg.*	*17-18 chg.*
Revenue	38.3	95.7	192.0	*150%*	*101%*
Cost of sales	(20.0)	(50.5)	(103.7)	*153%*	*106%*
Gross profit	18.4	45.3	88.32	*146%*	*95%*
Other income	0.1	0.2	0.9	*242%*	*454%*
Other gains and losses - net	0.2	0.2	0.2	*3%*	*-10%*
Administrative	(8.3)	(20.2)	(47.1)	*144%*	*133%*
Finance	(0.4)	(1.4)	(1.6)	*265%*	*11%*
Share of loss of associated company	-	(0.0)	0.1	*na*	*-1700%*
Profit before income tax	10.0	24.0	40.9	*140%*	*70%*
Income tax expense	(1.1)	(3.7)	(7.3)	*235%*	*98%*
Net profit	8.9	20.3	33.6	*129%*	*65%*
Non-controlling interests	0.7	2.8	7.1	*291%*	*153%*
PATMI	8.2	17.5	26.5	*114%*	*51%*
Shares outstanding (mn)	884.5	1,028.8	1,162.8	*16%*	*13%*
EPS (S$ cents)	0.9	1.7	2.3	*84%*	*34%*
D&A	9.0	16.4	21.3	*82%*	*30%*
EBITDA	19.3	41.8	63.2	*116%*	*51%*
EBIT	10.4	25.4	41.9	*145%*	*65%*
Dividend per share (S$ cents)	-	-	-	*na*	*na*
Total dividend (declared)	-	-	-	*na*	*na*

Source: Company data.

Table 12: Income statement: Quarterly

	Quarter ended				
S$ in millions, year-end March	31-Dec-17	31-Mar-18	30-Jun-18	*y/y chg.*	*q/q chg.*
Revenue	52.4	83.6	49.0	*99%*	*-41%*
Cost of sales	(28.2)	(47.3)	(16.1)	*73%*	*-66%*
Gross profit	24.2	36.3	32.9	*114%*	*-9%*
Other income	0.1	0.2	0.5	*91%*	*179%*
Other gains and losses - net	0.4	(0.0)	0.3	*-273%*	*-1248%*
Administrative	(14.2)	(21.7)	(18.9)	*235%*	*-13%*
Finance	(0.2)	(1.3)	(3.2)	*1941%*	*148%*
Share of loss of associated company	0.2	0.2	0.0	*-139%*	*-91%*
Profit before income tax	10.4	13.6	11.6	*22%*	*-15%*
Income tax expense	(1.9)	(2.6)	(2.5)	*41%*	*-2%*
Net profit	8.5	11.1	9.1	*17%*	*-17%*
Non-controlling interests	2.0	2.0	1.9	*35%*	*-5%*
PATMI	6.4	9.1	7.2	*13%*	*-20%*
No. of shares outstanding (mn)	1,162.8	1,162.8	1,162.8	*11%*	*0%*
EPS (S$ cents)	0.6	0.8	0.6	*2%*	*-20%*
D&A	4.3	13.7	3.3	*139%*	*-76%*
EBITDA	14.7	28.4	17.2	*54%*	*-39%*
EBIT	10.4	14.6	13.9	*42%*	*-5%*

Source: Company data.

Segment information

"Others" consists of revenue from café operations, social media advertising and software development for interactive digital media

Table 13: Segment breakdown

S$ in millions, year-end March	2016	2017	2018	*16-17 chg.*	*17-18 chg.*
Revenue by segment	**38.3**	**95.7**	**192.0**	***150%***	***101%***
Core business	29.8	56.6	93.6	*90%*	*65%*
Post-production	3.6	3.5	6.3	*-3%*	*80%*
Cinema operation	4.9	12.6	45.0	*158%*	*258%*
Events/concerts	-	23.0	46.4	*na*	*102%*
Others	-	0.0	0.6		
Revenue by region	**38.3**	**95.7**	**192.0**	***150%***	***101%***
Singapore	22.4	39.2	88.9	*75%*	*127%*
Malaysia	7.4	24.9	33.0	*238%*	*32%*
China	5.7	18.8	41.1	*230%*	*119%*
Taiwan	1.7	6.1	14.4	*263%*	*137%*
Hong Kong	1.2	5.5	10.5	*375%*	*91%*
Others	0.0	1.2	4.1	*3555%*	*240%*
Gross profit by segment	**18.4**	**45.3**	**90.5**	***146%***	***100%***
Core business	13.0	27.9	40.3	*114%*	*45%*
Post-production	2.5	1.3	3.9	*-46%*	*188%*
Cinema operation	2.8	7.6	28.2	*167%*	*273%*
Events/concerts	-	8.5	17.9	*na*	*109%*
Others	-	(0.1)	0.2	*na*	*-405%*
Adjusted EBITDA by segment	**19.4**	**41.8**	**64.2**	***116%***	***54%***
Core business	17.4	32.8	43.1	*89%*	*31%*
Post-production	1.4	1.4	2.7	*-1%*	*92%*
Cinema operation	0.6	1.4	5.5	*145%*	*293%*
Events/concerts	-	6.5	13.6	*na*	*110%*
Others	-	(0.3)	(0.7)	*na*	*109%*
Net profit by segment	**8.9**	**20.3**	**33.6**	***129%***	***65%***
Core business	7.7	15.4	23.2	*100%*	*51%*
Post-production	1.1	1.0	2.0	*-9%*	*101%*
Cinema operation	0.1	(0.1)	(0.3)	*-157%*	*269%*
Events/concerts	-	4.4	9.6	*na*	*119%*
Others	-	(0.4)	(0.9)	*na*	*149%*
Core business					
Production	21.7	46.5	76.2	*114%*	*64%*
Distribution	6.0	9.3	12.3	*55%*	*32%*
Sponsorship	2.1	0.8	5.2	*-62%*	*546%*
Cinema operation					
Exhibition	3.7	8.6	29.7	*130%*	*246%*
Confectionery	0.9	2.4	8.4	*162%*	*254%*
Other cinema operations	0.2	1.6	6.9	*581%*	*321%*
Events/concerts					
Production	-	7.4	17.7	*na*	*138%*
Promotion	-	14.9	26.3	*na*	*76%*
Other	-	0.6	2.5	*na*	*299%*

Source: Company data.

Ajay Mirchandani
(65) 6882-2419
ajay.mirchandani@jpmorgan.com

Balance sheet

Table 14: Balance sheet

S$ in millions, year-end March	2016	2017	2018
ASSETS			
Cash and cash equivalents	4.7	25.8	93.2
Trade and other receivables	24.4	46.3	115.3
Inventories and work-in-progress	0.3	0.7	6.5
Film products and films under production	9.8	23.4	20.7
Income tax recoverable	-	0.0	-
Current assets	**39.3**	**96.1**	**235.7**
Available-for-sale financial assets	0.3	-	0.7
Investment in associated company	-	1.5	2.6
Investment in a joint venture company	-	-	0.1
Property, plant and equipment	3.6	11.2	41.2
Intangible assets and goodwill	14.2	47.5	295.8
Film rights	8.8	5.6	4.7
Film intangibles and film inventories	2.3	3.5	4.2
Deferred income tax assets	0.6	0.7	1.3
Non-current assets	**29.7**	**69.9**	**350.5**
Total assets	**69.0**	**166.0**	**586.2**
LIABILITIES			
Trade and other payables	23.8	46.6	274.6
Progress billing in excess of work-in-progress	0.6	0.7	2.2
Deferred income	0.6	2.9	1.0
Borrowings	0.2	6.2	5.0
Current income tax liabilities	3.1	5.6	9.2
Current liabilities	**28.2**	**62.1**	**292.0**
Trade and other payables	-	-	2.9
Borrowings	2.8	5.5	61.0
Provisions	-	-	5.0
Deferred income tax liabilities	0.8	1.9	6.0
Derivative financial instruments	-	-	6.9
Non-current liabilities	**3.6**	**7.3**	**81.7**
Total liabilities	**31.8**	**69.5**	**373.6**
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	57.0	88.2	152.9
Other reserves	(37.5)	(37.2)	(30.9)
Retained profits/(accumulated losses)	16.7	34.2	60.7
	36.2	85.2	182.7
Non-controlling interests	1.0	11.3	29.9
Total equity	**37.2**	**96.5**	**212.6**
Total liabilities & equity	**69.0**	**166.0**	**586.2**

Source: Company data.

Ajay Mirchandani
(65) 6882-2419
ajay.mirchandani@jpmorgan.com

Cash flow statement

Table 15: Cash flow statement

S$ in millions, year-end March	2016	2017	2018
Net profit	8.9	20.3	33.6
Income tax expense	1.1	3.7	7.9
Depreciation of property, plant and equipment	0.5	1.6	5.6
Interest income	(0.0)	(0.0)	(0.5)
Interest expense	0.4	1.4	1.9
Amortization of film rights	8.4	13.1	11.5
Amortization of film intangibles and film inventories	0.0	0.7	3.5
Amortization of brand	-	0.4	0.7
Amortization of artist rights	-	0.7	-
Share of loss of associated company	-	0.0	(0.1)
Property, plant & equipment written off	-	0.0	0.0
Loss/(gain) on disposal of property, plant & equipment	(0.0)	0.0	-
Allowance for impairment of trade receivables	0.1	0.0	-
Unrealized currency translation loss/(gain)	(0.4)	0.4	(0.6)
Performance share plan expenses	-	-	0.6
Gain on disposal of available-for-sale financial assets	-	(0.0)	-
Cash flow from operations before working capital changes	**19.0**	**42.2**	**64.0**
Trade and other receivables	(3.0)	(8.4)	(65.3)
Inventories and work-in-progress	(0.0)	(0.4)	0.1
Film products and films under production	(16.0)	(23.1)	(13.3)
Film intangibles and film inventories	(2.3)	(2.0)	(4.6)
Trade and other payables	(1.1)	0.6	28.2
Deferred income	(0.6)	2.4	(2.8)
Progress billing in excess of work-in-progress	0.4	0.1	0.5
Cash provided by/(used in) operations	(3.5)	11.4	6.8
Income tax paid	(0.1)	(2.0)	(5.2)
Net cash provided by/(used in) operating activities	**(3.6)**	**9.4**	**1.6**
Acquisition of a subsidiary corporation, net of cash acquired	(0.6)	(6.0)	(5.8)
Acquisition of associates	-	-	(2.2)
Acquisition of a joint venture company	-	-	(0.1)
Additions to film rights	-	(0.4)	(0.0)
Additions to development of software	(0.0)	(0.0)	(0.0)
Additions to property, plant & equipment	(1.1)	(9.7)	(10.6)
Deposit for acquisition of business assets	(0.1)	(0.5)	-
Additions to other assets – Investment in a project	-	-	(3.4)
Additions to available-for-sale financial assets	-	-	(0.7)
Interest received	0.0	0.0	0.5
Proceeds from disposal of property, plant & equipment	0.0	3.2	0.0
Proceeds from disposal of/(additions to) financial assets	(0.3)	0.3	-
Acquisitions of business assets	(7.0)	(3.9)	(31.9)
Repayment of deferred consideration	-	(9.4)	(20.0)
Net cash used in investing activities	**(9.0)**	**(26.4)**	**(74.2)**
Fixed deposits pledged to bank	(0.4)	(0.4)	0.4
Interest paid	(0.2)	(0.5)	(1.2)
Dividend paid by subsidiary to non-controlling interest	-	-	(0.1)
Proceeds from issuance of shares of company	6.2	18.0	64.1
Proceeds from issuance of shares of subsidiary	-	-	17.5
Proceeds from issuance of convertible bonds	5.5	10.5	115.5
Proceeds from borrowings	0.5	11.8	29.1
Repayment of borrowings	(0.3)	(1.4)	(84.3)
Repayment of lease liabilities	(0.1)	(0.1)	(0.1)
Net cash provided by financing activities	**11.2**	**37.9**	**140.9**
Net increase/(decrease) in cash and cash equivalents	(1.5)	20.9	68.3
Beginning of financial year	5.7	4.1	24.9
Effects of currency translation on cash and cash equivalents	(0.1)	(0.2)	(0.3)
End of financial year	4.1	24.9	92.8
Capex (incl. acquisitions)	**(8.7)**	**(20.1)**	**(54.0)**
Acquisitions	**(0.6)**	**(6.0)**	**(8.1)**
FCFF	**(12.3)**	**(10.6)**	**(52.4)**

Source: Company data.

Ajay Mirchandani
(65) 6882-2419
ajay.mirchandani@jpmorgan.com

Ratios

Table 16: Ratio analysis

Year-end March	2016	2017	2018
Margins			
Gross margin	48.0%	47.3%	46.0%
EBITDA margin	50.5%	43.6%	32.9%
EBIT margin	27.0%	26.5%	21.8%
PBT margin	26.1%	25.1%	21.3%
PAT margin	23.2%	21.2%	17.5%
PATMI margin	21.3%	18.3%	13.8%
S$ in millions			
Total assets	69.0	166.0	586.2
Total assets - CL (ex-bank debt)	41.0	110.1	299.2
Net assets	37.2	96.5	212.5
Total equity	37.2	96.5	212.6
Total debt	3.0	11.7	72.8
Net debt	(1.7)	(14.1)	(20.4)
Capital employed (total assets - current liabilities)	40.7	103.8	294.2
Avg. capital employed	31.0	72.3	199.0
Average (total assets - CL (ex-bank debt))	31.2	75.5	204.6
Invested capital (total equity + total debt)	40.2	108.2	285.4
Average invested capital	29.9	74.2	196.8
Working capital ratios			
Net working capital (receivables + inventory + films under production - payables)	10.7	23.7	(132.2)
Average net working capital	10.7	17.2	(54.2)
Net working capital/sales	27.9%	18.0%	-28.2%
Receivable days	214	135	154
Payable days	352	255	565
Inventory days	136	123	90
Cash conversion cycle	(2.0)	3.5	(321.6)
Profitability ratios			
RoA: PAT/average (total assets - CL (ex-bank debt))	28.5%	26.9%	16.4%
RoCE: (EBIT - tax)/average CE	29.9%	30.1%	17.4%
RoIC: (EBIT- tax)/average IC	31.1%	29.3%	17.6%
ROE: Total (PATMI/average shareholders' equity)	29.5%	28.9%	19.8%
Leverage ratios			
Net debt/equity	-4.6%	-14.6%	-9.6%
EBITDA/interest expense (x)	50.0	29.5	40.1
Liquidity ratios			
Current ratio (x)	1.4	1.5	0.8
Quick ratio (x): (current assets - inventory - prepayments)/CL	1.0	1.2	0.7
DuPont decomposition			
PATMI margin	21.3%	18.3%	13.8%
Revenue/assets	0.7	0.8	0.5
Assets/equity	1.9	1.9	2.8
ROE (DuPont)	29.5%	28.9%	19.8%

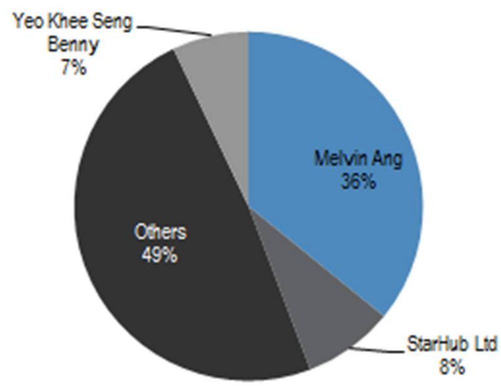
Source: Company data.

Ajay Mirchandani
(65) 6882-2419
ajay.mirchandani@jpmorgan.com

Management and shareholding structure

As of 23 June 2017, the company's free float was approximately 44.30%. Melvin Ang is the largest shareholder, with an effective holding of 35.85%. StarHub Ltd. is the second-largest shareholder, at 8.39%. Yeo Khee Seng Benny is the third-largest shareholder, at 7.08%. Yeo Khee Seng Benny is the co-owner of Apex Capital Group Pte. Ltd.

Figure 19: Shareholding structure



Source: Company data.

Table 17: Key management

Melvin Ang	Founder & Executive Chairman	Mr. Ang graduated from Macquarie University with a Master's of Business Administration in 1996. In August 1997, he was employed by the Television Corporation of Singapore as Vice President, Business Development. Mr. Ang was employed by SPH MediaWorks Ltd. as COO of its Media Business Group between November 2000 and April 2003. Between July 2003 and March 2007, he was Managing Director of MediaCorp Studios. Before setting up mm2 Malaysia and mm2 Singapore in January 2009, he served as Media Prima Berhad's Executive Advisor between July 2007 and December 2008. In his current position, he is responsible for supervising overall business operations and management, as well as business planning and providing executive leadership and supervision to the group's senior management team.
Chang Long Jong	Group CEO	Prior to joining the group in April 2017, Mr. Chang was Deputy CEO and Chief Customer Officer of MediaCorp Pte. Ltd., overseeing all of MediaCorp's major media assets, including TV, radio, newspaper, magazines and over-the-top service Toggle. He has had a 30-year career in the business, with experience in channel management, content development and production, content licensing and distribution, media business development and talent management. Currently, he is responsible for overseeing and managing the group's business operations, especially the production division, as well as sourcing new business opportunities for the group.
Chong How Kiat	Chief CFO	With close to 20 years of financial experience in the property management and development, construction and media industries, Chong How Kiat is responsible for all finance-related matters.
Ng Say Yong	Chief Content Officer, mm2 Asia and MD, mm2 Singapore	Previously held management positions at MediaCorp TV and has produced and directed numerous highly successful TV dramas and films. He is responsible for the overall creative content development of the group's productions.

Source: Company data.

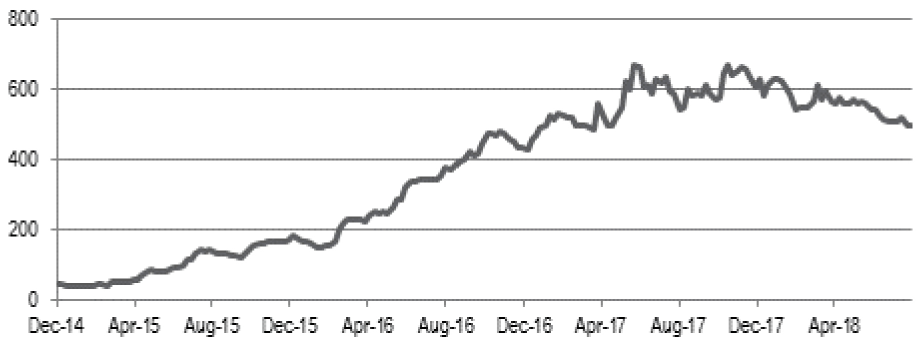
Ajay Mirchandani
(65) 6882-2419
ajay.mirchandani@jpmorgan.com

Share price

Figure 20: Historical share price (S$)

Source: Bloomberg. Past results are not an indicator of future performance.

Figure 21: Historical market capitalization (S$ in millions)



Source: Bloomberg. Past results are not an indicator of future performance.

Ajay Mirchandani
(65) 6882-2419
ajay.mirchandani@jpmorgan.com

Key events

Table 18: Key events

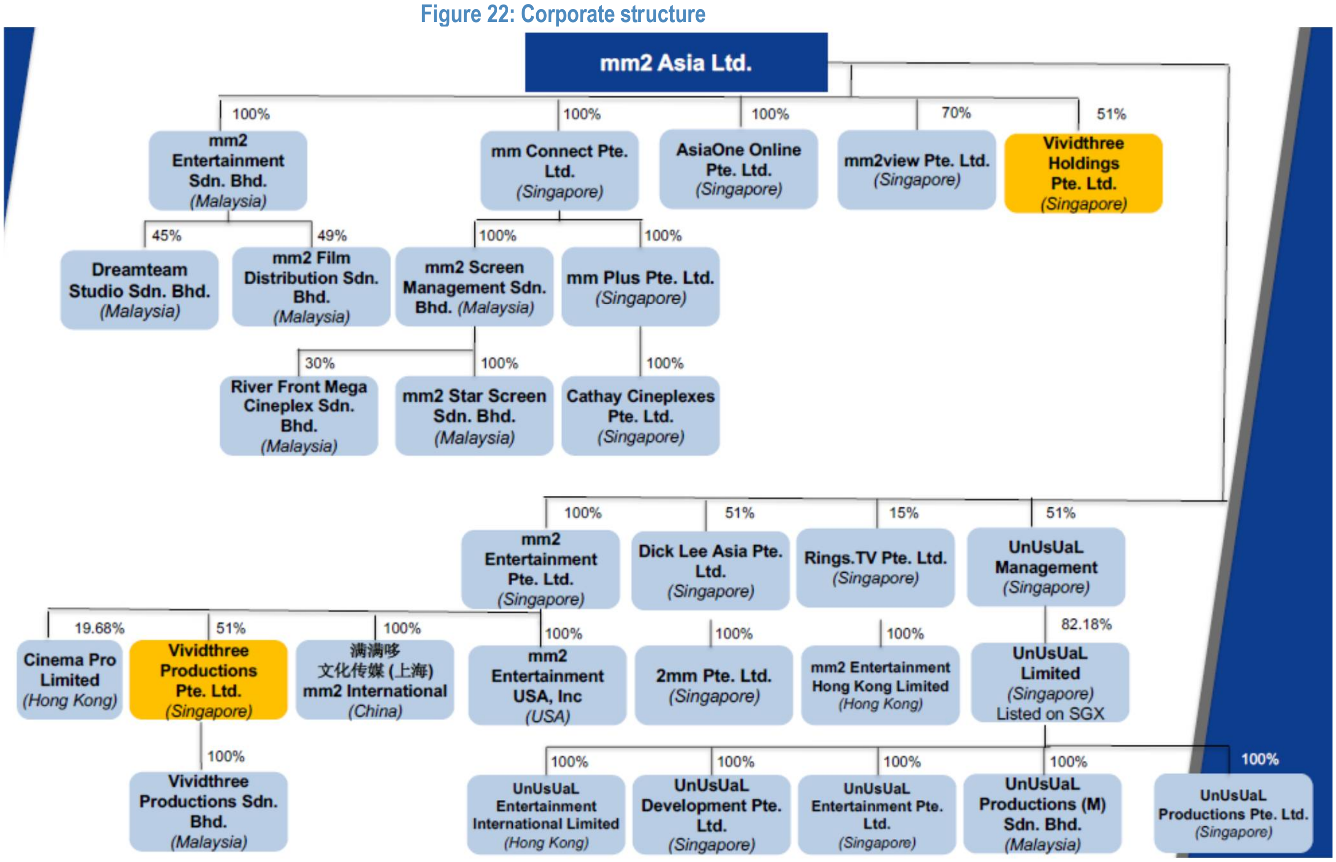
Dec-14	Listed on SGX Catalist board
Apr-15	Completion of 51% stake acquisition of Vividthree Productions
Jun-15	Issuance of S$2.875mn convertible bonds to Phillip Asia Pacific Opportunity Fund Ltd.
Jul-15	Issuance of S$2.6mn with S$1.3mn greenshoe option exchangeable convertible bonds to 3VS1 Asia Growth Fund 2 Ltd.
Nov-15	Completion of acquisition of two cinema businesses and assets from Cathay Cineplexes Sdn Bhd
Dec-15	Placement of S$5mn to three investors
Dec-15	Completion of 70% stake acquisition in mm2View Pte. Ltd.
Feb-16	Completion of share split of 1 ordinary share to 2 ordinary shares
Mar-16	Placement agreement with StarHub Ltd. to acquire 9% stake in mm2 Asia for S$18mn
Jul-16	Completion of acquisition of three cinema businesses and assets from Mega Cinemas
Aug-16	Completion of 51% stake acquisition in Unusual Pte. Ltd.
Oct-16	Completion of share split of 1 ordinary share to 2 ordinary shares
Nov-16	Incorporation of subsidiary mm2 Entertainment USA, Inc., in California
Nov-16	Binding term sheet with Lotus Fivestar Cinemas to acquire cinema businesses and assets in 13 locations in Malaysia
Feb-17	Incorporation of subsidiary mm2 International Pte. Ltd. in Shanghai
Mar-17	Announced that The Voice, Talpa Global B.V.'s flagship format, will be co-produced by mm2 Entertainment Pte. Ltd., StarHub and Astro Malaysia Holdings Berhad for Singapore and Malaysia
Mar-17	Subscribes for 15% of RINGS.TV with a further call option to increase stake to 20%.
Apr-17	Shifts to SGX main board, Unusual Ltd. listed on SGX Catalist board
May-17	mm2 Entertainment Pte. Ltd. enters into a binding MOU with Cinema Pro Limited and Kbro Media Co. Limited to acquire 3,200,000 new shares, totaling 19.68% of Cinema Pro Limited, to target the North Asia market. The stake contains a profit guarantee and buyback guarantee from Cinema Pro Limited and Kbro Media Co. Limited, respectively. The purchase consideration is approximately $720,000. The aim is to target and expand the company's cinema projects across North Asia and increase its presence in new cinema projects opportunities. CP provides Cinema Management services covering Hong Kong and Mainland China, including UA Cinema Circuit (UA 院線), Orange Sky Golden Harvest (橙天嘉禾), Jinyi Cinemas (金逸影院) and Dadi Cinemas (大地院線).
June-17	Enters into a placement agreement with StarHub Ltd. to acquire a 2.3% stake in mm2 Asia for S$15mn at a share price of S$0.57
Sep-17	Completed acquisition of 13 Lotus Fivestar Cinemas, bringing total number of owned screens from 43 to 133
Nov-17	Completed acquisition of Cathay Cineplexes Pte. Ltd. mm2 Asia made a deposit of S$15mn upon signing an option agreement on 2-Nov-17 with Cathay Organisation Pte. Ltd. Under the agreement, mm2 Asia will pay the remaining balance of S$215mn and retain the employees of Cathay Cineplexes. The company issued convertible notes and bonds amounting to S$47.85mn to finance the acquisition on 7-Feb-18 and entered into a facility agreement of S$115mn.
Jan-18	mm2 Asia's Board approves the spin-off of Vividthree Productions, which is planned to eventually list on the secondary board.
Apr-18	mm2 Asia subsidiary Unusual Management sells its 5.39% stake in Unusual Limited for approximately S$25.8mn, reducing its stake to 76.8% from 82.2%. It sold its stake at S$0.465 per share to Brunei's Prince Abdul Qawi and a fund started by OSIM founder Ron Sim.
May-18	South Korea's largest content company CJ E&M forms a slate financing partnership for Southeast Asian films with mm2 Entertainment. For the next three years, through 2021, mm2 will finance six Southeast Asian films that CJ E&M finances and produces.

Source: Company data.

Ajay Mirchandani
(65) 6882-2419
ajay.mirchandani@jpmorgan.com

Corporate structure

Figure 22: Corporate structure

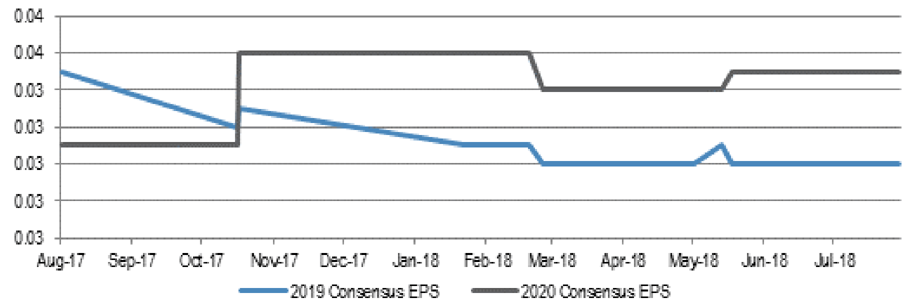


Source: Company data.

Ajay Mirchandani
(65) 6882-2419
ajay.mirchandani@jpmorgan.com

Consensus, estimates and valuations

Figure 23: Consensus EPS



Source: Bloomberg.

Figure 24: 12M forward P/E

Source: Bloomberg.

Table 19: Consensus estimates

	Actuals			Consensus		
S$ in millions	**-2FY**	**-1FY**	**0FY**	**+1FY**	**+2FY**	**+3FY**
Revenues	38	96	192	289	330	354
EBIT	10	26	42	61	68	79
EBITDA	19	42	65	84	99	117
Net income	8	18	26	33	40	45
EPS (reported)	0.009	0.017	0.023	0.033	0.034	0.037
EPS (adj.)	0.009	0.018	0.023	0.029	0.034	0.041
Y/Y (%)						
Revenues	57.9%	149.7%	100.6%	50.6%	14.2%	7.3%
EBIT	54.1%	151.4%	65.8%	44.0%	12.1%	15.1%
EBITDA	93.6%	118.9%	54.3%	29.4%	17.7%	19.1%
Net income	60.8%	114.3%	51.1%	24.2%	21.7%	12.3%
EPS (adj.)	51.9%	90.3%	31.3%	23.9%	17.2%	20.6%
Margins (%)						
EBIT margin	26.5%	26.7%	22.0%	21.1%	20.7%	22.2%
EBITDA margin	49.9%	43.8%	33.7%	28.9%	29.8%	33.1%
Net profit margin	21.3%	18.3%	13.8%	11.4%	12.1%	12.7%
Last-3Y EPS CAGR			58.1%	Next-2Y EPS CAGR		18.9%

Source: Bloomberg.

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