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## What next from Cityneon after a ‘smashing’ set of results?

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SINGAPORE (Feb 24): CIMB is keeping Cityneon Holdings at “add” with \$1.27 target price after the latter produced a “smashing” set of FY16 results, according to analyst Ngoh Yi Sin.

The specialist of travelling interactive exhibitions reported FY16 net profit of \$6.7 million, accounting for 88% of Bloomberg consensus full-year numbers. While this appears to be a miss, stripping out one-off expenses, FY16 core net profit came in at \$8 million, in line with full-year forecasts.

Although Victory Hill Exhibitions (VHE) contributed only 18% of Cityneon’s revenue, the subsidiary accounted for close to 90% of FY16 net profit, lifted by 76% gross profit margin.

In a Thursday report, Ngoh estimates the majority of travelling sets -- Transformers Experience China and Avengers Station Paris -- was recognised in 1H16’s \$10.2 million sale under the intellectual property (IP) rights segment.

Temporary exhibits in the pipeline that will contribute to FY17 topline include Avengers Stations in Taiwan, Australia and China.

“Assuming 2H16’s \$7.4 million IP rights sales stemmed mainly from the Avengers Station at Vegas, our back-of-the-envelope calculation indicates that its year-to-date visitor number is tracking along management’s annual target of 200,000 per permanent installation,” says Ngoh.

She also expects Avengers Station at Vegas to continue attracting tourists, given its immersive exhibits and strategic location along the Vegas strip coupled with Marvel’s movie pipeline till 2020.

Meanwhile, Cityneon’s ex-VHE existing business have also turned the corner, reversing from 1H16’s slight net loss to \$0.7 million for the full-year.

Rather than embarking on a strategic review of these divisions which could lead to cost savings of \$4 million, Ngoh says management sees ample opportunities in the theme park space, thanks to its successful track record.

Shares of Cityneon are up 1 cent at 84 cents.