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Cityneon kept at 'buy' on acquisition of Jurassic World: The Exhibition IP

By: Samantha Chiew

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SINGAPORE (Sept 9): UOB KayHian is maintaining its “buy” rating on Cityneon Holdings with an increased target price of \$1.50 following the group’s acquisition of the Jurassic Park intellectual property.

On Aug 30, the group announced that it was purchasing 100% stake in JP Exhibitions (JPE) for a consideration of US\$25 million (\$34 million), which will grant it the rights to *Jurassic World: The Exhibition* (JWTE) -- an exhibition based on the Jurassic Park motion picture franchise.

[See: Cityneon makes third IP acquisition with rights to Jurassic World: The Exhibition](#)

The consideration of \$25 million will be paid in two tranches. The first is an upfront fee of US\$20 million upon completion of purchase, while the second one of US\$5 million is subject to JPE achieving an audited net profit of US\$5 million for the 12-month period ending Jan 7, 2018.

If the profit target is met, Cityneon’s acquisition will be at a bargain of five time forward earnings.

As at Dec 31, 2016, JPE, held by six different parties, has a net tangible asset value of \$7.7 million. For the fiscal period from April 1 to Dec 31, 2016, JPE generated a net profit of \$3.3 million.

In a Monday report, analyst Nicholas Leow says, “We are very favourable towards the acquisition as it boosts Cityneon’s stable of IP rights to three, in line with management’s strategy to acquire IP rights backed by movies with gross takings in excess of US\$1 billion with sequels to support in the future.”

Jurassic World is currently the fourth-highest grossing box office worldwide, according to Box Office Mojo. A sequel, Jurassic World (Fallen Kingdom) is also scheduled to be released in mid-2018.

This acquisition has been approved and supported by Jurassic Park IP owner

Universal Studios.

In 2016, JWTE made a six-month appearance in the Melbourne Museum and according to local Australian newspapers, this museum attraction was one of the most popular ones since 2011. It then moved on to Philadelphia, US and now is currently at the Field Museum in Chicago until 2018.

“JWTE comes with a pipeline of two future destinations, implying that the orderbook for JWTE is filled at least until 2019,” says Leow.

The group says that it will adopt the low-execution travelling set business model for JWTE and continue to source for partners in new locations while collecting licence fees and variable royalties.

Meanwhile, despite the group’s traditional business undergoing a restructuring exercise to streamline operations, the management is optimistic on opportunities as it expands in North Asia.

In addition, the group has hired Welby Altidor as its new Chief Creative Officer to spearhead the creative improvements to *Avengers S.T.A.T.I.O.N* (AVST) so as to bring the exhibition to the next level and attract visitor numbers similar to JWTE.

“Post the news of the EPS-accretive JWTE acquisition on Aug 30, 2017, we believe the 2% sell-off at Cityneon is unwarranted and the market has severely discounted the company’s growth prospects,” says Leow.

“The stock now trades at a bargain of 10.1x 2018F PE vs peers’ average of 15.4x FY18F PE, with a superior ROE,” Leow adds.

As at 3.20pm, shares in Cityneon are trading at \$1.00, with the dividend forecast removed as the group focuses on its expansion.

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