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4 entertainment stocks that prove Singapore is not 'boring'

By: Stanislaus Jude Chan

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SINGAPORE (Mar 15): CIMB Research has identified four entertainment stocks that give investors the best bang for their buck – and prove that Singapore is far from boring.

This comes after Singapore Tourism Board (STB) published a tongue-in-cheek video featuring some of the country's most popular sights and activities in response to a survey that ranked Singapore near the bottom of a list of “most exciting cities” in the world.

“Singapore is boring? We beg to differ,” says CIMB analyst Ngoh Yi Sin in a Wednesday report.

Apart from owning intellectual property (IP) rights to blockbuster movie franchises, Ngoh points out that SGX-listed companies have also had a part to play in the launch of some of the most thrilling theme park rides, and the hosting of some of the most popular concerts and sporting events in the world.

In particular, four entertainment stocks – **mm2 Asia**, **Cityneon Holdings**, **UnUsUaL**, and **Kingsmen Creatives** – have the relevant exposure and potential to ride on the growing media and entertainment business regionally, Ngoh says.

Events producer and promoter UnUsUaL, for instance, organises between 12 and 15 concerts on average in Singapore every year. It is also involved in other major events, such as Singapore F1 Grand Prix, the Southeast Asian Games, and the Youth Olympic Games.

“Management expects this number to double in FY18F as it brings concerts to other ASEAN and North Asia cities, with second- to third-tier cities in China as its main targets,” says Ngoh.

In the 3Q ended December, UnUsUaL saw its earnings more than double to \$2.5 million, as revenue surged 143% to \$10.6 million.

[See: UnUsUaL's 3Q earnings double to \\$2.5 mil on higher revenue](#)

Meanwhile, communication design and production group Kingsmen has also appeared on CIMB's radar, despite having underperformed in recent years on the back of rising competition and soft retail spending.

The group saw its full-year earnings fall 18.1% to \$9.7 million in FY17, as total revenue decreased by 6.8% to \$307.3 million.

[See: Kingsmen posts 18.1% decline in FY17 earnings to \\$9.7 mil on lower revenue](#)

However, Ngoh says Kingmen's NERF tie-up could give it ammunition for growth.

The group's US-subsiary, Kingsmen Xperience, has entered into a licensing agreement with Hasbro International to create, build and operate the NERF brand of family entertainment centre (FEC) attractions across Asia Pacific.

Under the agreement, Kingsmen will co-conceptualise, create, build and operate multiple NERF FEC attractions across the region, with the first location to open in Singapore by 2019.

[See: Kingsmen to open NERF-branded family attractions in Asia Pacific with Hasbro](#)

"Its partnership with Hasbro on NERF licensing may be the first of more IPs, with fees for content development, set construction and attraction management forming a new income stream," says Ngoh.

Even with the positive outlooks, both UnUsUaL and Kingsmen are currently "not rated" by CIMB.

Meanwhile, mm2 and Cityneon are both rated "add", with target prices at 74 cents and \$1.58, respectively. "mm2 and Cityneon are our best bets for entertainment," Ngoh says.

Apart from increasing production budget and higher contribution from its cinema and concert segments, Ngoh believes that mm2's post-production segment is primed for the next growth phase.

“We think mm2 is the best proxy for the growing media and entertainment business in the region, given its extensive presence across the entire value chain,” she says.

According to Ngoh, mm2’s current market valuation, excluding UnUsUaL and the \$230 million price tag for Cathay cinemas, appears to be pricing its core production business at only 8x CY18F P/E. This is a discount of almost 60% to its regional movie and TV production peers.

“At the current valuation, we think the growth prospects of mm2’s core production business and potential synergies across the different segments may have been overlooked,” Ngoh says.

In the 3Q ended December, mm2 saw its earnings rise 52% to \$6.4 million, as revenue nearly trebled to \$52.4 million.

[See: mm2 Asia reports 52% rise in 3Q earnings to \\$6.4 mil; issues \\$48 mil debt to finance cinema ops](#)

At the same time, Ngoh believes Cityneon is on stronger footing now and remains positive on its travelling show pipeline.

“We also like Cityneon for its transformation into a creative and design-focused company; exciting portfolio of three IP rights – Marvel’s Avengers STATION, Hasbro’s Transformers and Jurassic World; and scalable business model with minimal execution risk,” Ngoh says.

Cityneon saw its full-year earnings reach a record-high of \$17.4 million in FY17, on the back of a near-trebling of contributions from IP rights.

[See: Cityneon FY17 earnings hit record high of \\$17.4 mil](#)

“The stock currently trades at 12x FY18F P/E, cheaper than the 17x average of its regional meetings, incentives, conferences and events (MICE) peers. We think there is potential for upward revision to our FY18-20F earnings forecasts, should there be a stronger uptake of travelling sets,” she adds.

As at 1.15pm, shares of UnUsUaL are trading half a cent down at 49 cents; shares of Kingmen are trading flat at 61 cents; shares of mm2 are trading 1.5 cents up at 52 cents; and shares of Cityneon are trading 3 cents down at \$1.08.

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