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Cityneon to deliver 'explosive' growth even with fewer-than-expected exhibition sets, says DBS

By: Michelle Zhu

06/08/18, 12:18 pm

SINGAPORE (Aug 6): DBS Vickers Securities is maintaining its “buy” call on Cityneon Holdings with a lower price target of \$1.57 compared to \$1.60 previously, after shifting earnings projections to blended FY18F and FY19F earnings instead of FY18F.

The new target price is still based on a P/E valuation peg of 14.4 times, which is at a 20% discount to peers’ average of 18 times P/E.

The lower targets price comes on the back of FY18F and FY19F earnings forecast cuts by 15% and 11%, respectively, after reducing assumptions of the number of exhibition sets to eight for FY18F and nine for FY19F, compared to ten each previously – which still remains higher than consensus.

“We assume eight exhibition sets in total for FY18F (four for Avengers, two for Transformers, one each for Jurassic World and The Hunger Games) and nine for FY19F (four for Avengers, two each for Transformers and Jurassic World and one for The Hunger Games), vs consensus of seven to eight sets for FY18F and FY19F,” explains analyst Ling Lee Keng in a Monday report.

“We have also reduced our numbers for the traditional business. The earnings cut is partly offset by a higher assumed licensing fee for Jurassic World,” she adds.

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

[See: Cityneon's Transformers exhibition opens in Chongqing](#)

[See: Cityneon inks deals for The Hunger Games, Jurassic World exhibitions](#)

Regardless, Ling still expects Cityneon to continue delivering “explosive” FY17-19F earnings per share (EPS) CAGR growth of 131% based on their current four intellectual properties (IPs), as well as its traditional business.

Noting that Cityneon has already secured four of its IPs over the last five years, she

thinks the group is well poised to leverage on its credentials and experience as it continues to explore other IPs.

“The launch of the 3-year exhibition for the second set of Transformers in Korea, after a 2-year contract for the first set in China indicates that a longer term contract is likely to be the trend going forward. This model enables Cityneon to lock in revenue (in terms of licensing fee) for a longer period and provides earnings visibility for the group,” says Ling.

Shares in Cityneon last traded 1 cent higher at \$1.03 before the midday trading break, or 10.8 times FY18F book.

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