

COMPANY UPDATE

mm2 Asia (MM2 SP)

Positioned To Accelerate Out Of The Downturn

We believe mm2's earnings will experience an upward trend in FY23, driven by all three business segments: a) cinema attendance is expected to rise as Singapore's and Malaysia's cinemas operate at full capacities, b) resumption of in-person concerts, and c) ramping up of film production. Maintain BUY with a lower SOTP-based target price of S\$0.098 (S\$0.115 previously).

WHATS NEW

- Cinemas: Steady rise in cinema attendance.** Cinema audience numbers are expected to rebound to close to pre-pandemic levels given the removal of capacity restrictions for cinemas during the year. As of 10 Oct 22, Singapore's authorities have lifted all COVID-19 vaccination-differentiated safe management measures (VDS), stimulating the economic viability of the entertainment industry. In accordance to the last phase of Malaysia's National Recovery Plan, cinemas are now open to fully-vaccinated individuals, which make up 85% of Malaysia's population. With the expected return of movie-goers and increased consumer spending on food and beverage in cinemas, FY23 revenue and operating profit from its cinemas operations is likely to increase.
- Concerts: Resumption of live concerts.** With the relaxation of COVID-19 restrictions in Apr 22, live concerts have since resumed in 1HFY23. To date, UnUsUaL Entertainment (UnUsUaL) has co-produced four concerts in Singapore for renowned singers A-Lin, 831 and Eric Chou, and is set to co-produce six concerts in both Singapore and Malaysia for notable acts such as JJ Lin and Westlife in 2HFY23. Tickets for Westlife's concert on 16 Feb 23 were sold out almost immediately, leading to a recent announcement for an additional show on 17 Feb 23. This indicates pent-up demand for live concerts, and we therefore expect FY23 EBITDA from this segment to return to profitability.
- Core production business: Gaining momentum on production.** mm2 is slated to increase production for release over the coming year with multiple projects in the pipeline. This is partly due to the relaxation of most travel restrictions, allowing for more cross-border collaborations. Five films with international content have since been shot during the year and are scheduled for release in 2023. Titles include Happy Ghost, a Taiwanese remake of Korean film Hello Ghost. Given mm2's Taiwanese version of More Than Blue grossing S\$220m in international box office, we anticipate wide reception to the upcoming films as well. Additionally, we believe that the group's track record in quality production will see its core production business sought by streaming channels, with the release of its highly anticipated More Than Blue: The Series well-received on Netflix. We expect FY23 revenue and EBITDA from the core business to grow by 44.1% yoy and 20.0% yoy respectively.

KEY FINANCIALS

Year to 31 Mar (\$m)	2021	2022	2023F	2024F	2025F
Net turnover	75	113	196	268	302
EBITDA	(32)	16	75	93	104
Operating profit	(80)	(28)	31	45	56
Net profit (rep./act.)	(93)	(36)	8	16	22
Net profit (adj.)	(45)	(36)	8	16	22
EPS (\$ cent)	(2.9)	(1.6)	0.3	0.7	1.0
PE (x)	n.m.	n.m.	12.3	6.1	4.4
P/B (x)	0.5	0.6	0.6	0.5	0.5
EV/EBITDA (x)	n.m.	21.7	4.7	3.8	3.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	(123.9)	(31.6)	4.0	5.9	7.2
Net debt/(cash) to equity (%)	206.2	122.5	115.8	95.0	69.2
Interest cover (x)	(1.5)	1.2	4.2	5.2	5.9
ROE (%)	n.a.	n.a.	4.8	9.0	11.3
Consensus net profit	-	-	(3)	7	22
UOBKH/Consensus (x)	-	-	n.m.	2.29	1.00

Source: MM2 ASIA LTD, Bloomberg, UOB Kay Hian
n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

BUY

(Maintained)

Share Price	S\$0.042
Target Price	S\$0.098
Upside	+134.5%
(Previous TP:	S\$0.115)

COMPANY DESCRIPTION

mm2 Asia is a media content provider. The company produces movies and infotainment programmes for TV stations, advertisers and online media. It also finances, produces and distributes commercial content.

STOCK DATA

GICS sector	Communication Services
Bloomberg ticker:	MM2 SP
Shares issued (m):	2,790.6
Market cap (\$m):	117.2
Market cap (US\$m):	81.6
3-mth avg daily t'over (US\$m):	0.1

Price Performance (%)

52-week high/low S\$0.071/S\$0.042

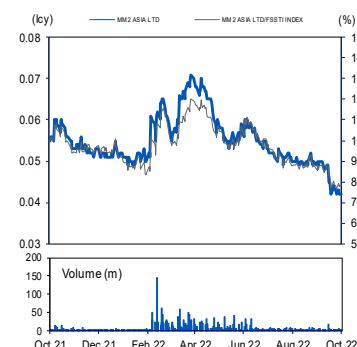
1mth	3mth	6mth	1yr	YTD
(14.3)	(20.8)	(39.1)	(25.0)	(17.6)

Major Shareholders

	%
Melwin Ang	22.0
Oei Hong Leong	8.5
Goi Seng Hui	6.8

FY23 NAV/Share (\$)	0.07
FY23 Net Debt/Share (\$)	0.08

PRICE CHART



Source: Bloomberg

ANALYST(S)

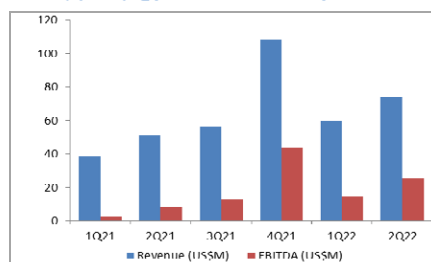
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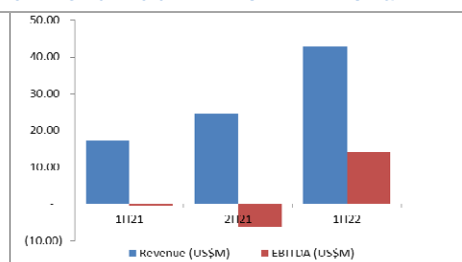
STOCK IMPACT

- Ticket sales to climb amid reopening.** A greater demand for tickets is forecast in the second half of the year. *Doctor Strange in the Multiverse of Madness*, which was released in May 22, brought in S\$7m across its 22 weeks of release in Singapore. Its average weekly box office grossed 32% higher than that of 2021's highest grossing film – *Spider-Man: No Way Home* – indicating a boost in cinema audience numbers. Several other blockbusters such as *Black Panther: Wakanda Forever* and *Ant-Man and the Wasp: Quantumania* are highly anticipated in 2HFY23, given that production companies are bouncing back from COVID-19 disruptions. According to The Numbers, the number of films released thus far in 2022 is 110% that of film releases in 2021. Additionally, as only fully-vaccinated individuals were permitted to enter cinemas then, we can expect higher ticket sales in 2HFY23 with the lifting of VDS from Oct 22.
- Poised for recovery as market trends upward.** As peers are seeing positive growth in revenue, we expect mm2's FY23 financial results to follow suit. An upward trend is observed in IMAX Corporation's earnings, which they have mainly attributed to blockbuster releases. As for the domestic market, Orange Sky Golden Harvest Entertainment, the sole owner of Golden Village cinemas in Singapore, has also seen an 84% increase in net box office receipts from S\$16m in 1H21 to S\$30m in 1H22 alone. Based on its peers' improvement in total revenue and EBITDA over the year, mm2 is likely to see a similar pattern in its financials.

IMAX CORP'S QUARTERLY REVENUE AND EBITDA ORANGE SKY'S SEMI-ANNUAL REVENUE & EBITDA



Source: Bloomberg, UOB Kay Hian



Source: Bloomberg, UOB Kay Hian

EARNINGS REVISION/RISK

- None.

VALUATION/RECOMMENDATION

- Maintain BUY with a lower SOTP-based target price of S\$0.098 (S\$0.115 previously).** Our target price is based on a SOTP valuation, with: a) core production business at 9.1x (11.4x previously) FY23F EV/EBITDA, in line with larger peers; b) cinema business at 8.0x FY23F EV/EBITDA, in line with larger peers; and c) UnUsUaL (UNU SP) and VividThree (VTH SP) at market value.

SHARE PRICE CATALYST

- Privatisation offer, better-than-expected demand for concerts.

PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price @ 12-Oct-22 (lcy)	Market Cap (US\$m)	PE 2021 (x)	PE 2022 (x)	P/B 2021 (x)	P/B 2022 (x)	EV/EBITDA 2022 (x)	EV/EBITDA 2023 (x)	ROE 2022 (%)	Yield 2022 (%)	Net Gearing (%)
Imax Corp	IMAX US	USD	13.81	777	n.a.	38.7	2.3	2.3	9.9	7.4	5.9	n.a.	35.8
Major Cineplex Group Pcl	MAJOR TB	THB	18.1	426	10.2	30.7	2.3	2.3	11.4	8.6	8.7	3.2	55.5
Orange Sky Golden Harvest En	1132 HK	HKD	0.062	22	n.a.	n.a.	0.1	n.a.	n.a.	n.a.	n.a.	n.a.	57.6
Average					10.2	34.7	1.6	2.3	10.7	8.0	7.3	3.2	49.6
Content/Broadcasting (Asia)													
Bec World Public Co Ltd	BEC TB	THB	9.55	502	25.1	24.4	3.1	2.9	5.7	5.3	12.5	2.7	(25.0)
One Enterprise Publ	ONEE TB	THB	9.55	598	22.7	24.3	5.6	3.0	9.5	8.4	12.7	1.8	(10.8)
Ghy Culture & Media	GHY SP	SGD	0.435	324	120.8	27.2	3.1	2.9	18.2	13.8	10.9	1.1	(10.5)
Average					56.2	25.3	3.9	3.0	11.1	9.1	12.0	1.9	(15.4)

Source: Bloomberg, UOB Kay Hian

SELECTED US BLOCKBUSTER MOVIES RELEASE (UPDATED AS OF 12TH OCT 22)

Titles	Release Date
Black Panther: Wakanda Forever	10 Nov 22
Avatar: The Way of Water	15 Dec 22
Ant-Man and the Wasp: Quantumania	17 Feb 23
John Wick: Chapter 4	24 Mar 23
The Super Mario Bros. Movie	06 Apr 23
Guardians of the Galaxy Vol. 3	05 May 23
Spider-Man: Across the Spider-Verse	01 June 23
The Flash	23 June 23
The Marvels	28 July 23
Teenage Mutant Ninja Turtles: Mutant Mayhem	04 Aug 23
The Equalizer 3	01 Sep 23
The Exorcist	13 Oct 23
The Hunger Games: The Ballad of Songbirds and Snakes	17 Nov 23
Aquaman and the Lost Kingdom	25 Dec 23

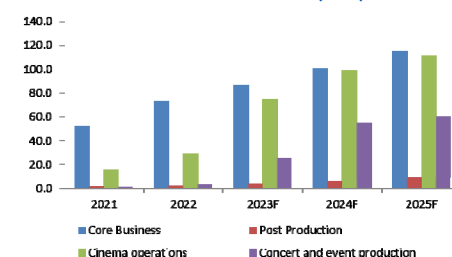
Source: CinemaBlend, IMDb, UOB Kay Hian

SOTP VALUATION

	Methodology	(\$m)
- Core Production	9.1x FY23F EV/EBITDA	191.9
- Cinema Business	8.0x FY23F EV/EBITDA	239.9
- UnUsUaL (39% stake)	Market Value	55.7
- VividThree (41% stake)	Market Value	4.9
Total		492.4
Net debt position	FY23	(196.2)
Valuation	Total	296.2
Conglo discount	25%	
Discounted valuation	Total	222.2
	Per share (\$)	0.098

Source: UOB Kay Hian

SEGMENTAL ANNUAL REVENUE (\$M)



Source: mm2, UOB Kay Hian

PROFIT & LOSS

Year to 31 Mar (\$m)	2022	2023F	2024F	2025F
Net turnover	113.0	196.1	267.8	302.3
EBITDA	16.4	75.2	92.5	104.4
Deprec. & amort.	44.6	43.9	47.2	48.2
EBIT	(28.2)	31.3	45.3	56.2
Associate contributions	0.4	0.4	0.4	0.4
Net interest income/(expense)	(13.5)	(17.8)	(17.8)	(17.8)
Pre-tax profit	(41.2)	14.0	27.9	38.8
Tax	(0.9)	(3.5)	(7.0)	(9.7)
Minorities	6.3	(2.6)	(5.2)	(7.3)
Net profit	(35.7)	7.9	15.7	21.8
Net profit (adj.)	(35.7)	7.9	15.7	21.8

BALANCE SHEET

Year to 31 Mar (\$m)	2022	2023F	2024F	2025F
Fixed assets	59.8	51.9	45.5	40.4
Other LT assets	310.9	305.0	294.1	281.0
Cash/ST investment	14.6	16.1	35.9	68.1
Other current assets	193.8	188.9	224.8	242.0
Total assets	579.1	561.9	600.3	631.5
ST debt	160.0	160.0	160.0	160.0
Other current liabilities	130.3	105.2	126.9	135.3
LT debt	49.8	49.8	49.8	49.8
Other LT liabilities	36.6	36.6	37.6	37.6
Shareholders' equity	159.4	167.2	183.0	204.8
Minority interest	43.1	43.1	43.1	43.1
Total liabilities & equity	579.1	561.9	600.3	630.5

CASH FLOW

Year to 31 Mar (\$m)	2022	2023F	2024F	2025F
Operating	27.0	49.4	66.6	79.0
Pre-tax profit	(42.1)	7.9	15.7	21.8
Tax	(0.7)	(3.5)	(7.0)	(9.7)
Deprec. & amort.	44.6	43.9	47.2	48.2
Associates	(0.4)	0.0	0.0	0.0
Working capital changes	1.8	(20.2)	(14.1)	(8.9)
Non-cash items	(0.1)	0.0	0.0	0.0
Other operating cashflows	23.9	21.3	24.8	27.5
Investing	(6.2)	(30.0)	(30.0)	(30.0)
Capex (growth)	(8.1)	(30.0)	(30.0)	(30.0)
Investments	1.2	0.0	0.0	0.0
Proceeds from sale of assets	0.3	0.0	0.0	0.0
Others	0.4	0.0	0.0	0.0
Financing	(17.9)	(17.8)	(17.8)	(17.8)
Dividend payments	0.0	0.0	0.0	0.0
Issue of shares	11.9	0.0	0.0	0.0
Proceeds from borrowings	51.9	0.0	0.0	0.0
Loan repayment	(110.7)	0.0	0.0	0.0
Others/interest paid	29.0	(17.8)	(17.8)	(17.8)
Net cash inflow (outflow)	2.8	1.6	18.8	31.2
Beginning cash & cash equivalent	10.8	14.6	16.1	35.9
Changes due to forex impact	(0.0)	0.0	1.0	1.0
Ending cash & cash equivalent	13.6	16.1	35.9	68.1

KEY METRICS

Year to 31 Mar (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	14.5	38.4	34.5	34.5
Pre-tax margin	(36.5)	7.1	10.4	12.8
Net margin	(31.6)	4.0	5.9	7.2
ROA	n.a.	1.4	2.7	3.5
ROE	n.a.	4.8	9.0	11.3
Growth				
Turnover	50.2	73.6	36.5	12.9
EBITDA	n.a.	359.0	22.9	12.9
Pre-tax profit	n.a.	n.a.	99.8	38.9
Net profit	n.a.	n.a.	99.8	38.9
Net profit (adj.)	n.a.	n.a.	99.8	38.9
EPS	n.a.	n.a.	99.8	38.9
Leverage				
Debt to total capital	50.9	49.9	48.1	45.8
Debt to equity	131.6	125.4	114.6	102.4
Net debt/(cash) to equity	122.5	115.8	95.0	69.2
Interest cover (x)	1.2	4.2	5.2	5.9

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