



CHINA
DEVELOPMENT
FINANCIAL

Cityneon Holdings Limited

(CITN SP/CNHL.SI)

BUY

Price as of 10 Nov 2017	1.095
12M target price (S\$)	1.380
Previous target price (S\$)	na
Upside, incl. div (%)	26.0

Trading data

Mkt Cap (S\$m) / (US\$m)	268 / 197
Issued Shares (m)	245
Ave Daily Traded (3-Month) Vol / Val	2.0m / \$2.1m
52 week lo / hi	\$0.77 / \$1.26
Free Float	29.5%

Major Shareholders

Lucrum 1 Investment	69.0%
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CITN SP (1yr) VS STI



Source: Bloomberg

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See the last page for important disclosures.

Conquering the world; one country at a time

Event

We believe that the strategic move to focus on its Intellectual Property (IP) rights segment would bode well for Cityneon in the foreseeable future. With growth plans to expand its geographical reach and acquire additional IP rights moving forward, we see significant growth potential in Cityneon's operations and a potential boost in EPS of 136/37/39% in FY17/18/19F.

Impact

Bringing the blockbuster experience to the world. Its wholly-owned subsidiary Victory Hill Exhibitions (VHE) currently owns three exclusive IP rights and licences to showcase Marvel Avengers S.T.A.T.I.O.N., Hasbro Transformers Auto-bot Alliance and Jurassic World: The Exhibition using cutting-edge technologies. Capitalising on the loyal fan base of these movie franchises, VHE earns lucrative high-margin licensing fees and royalties from its exhibition operators. It recently announced its debut in Chongqing, China and Moscow, Russia, as well as its plans to add Australia to its itinerary.

Potential to dominate the playing field with scalable, low-risk business model.

While VHE's operation is highly mobile, it bears minimal operating risk as this is borne by their strong network of operating partners. We like the fact that fixed licensing fees make up the bulk of its revenues, and are resilient against uncertain visitorship. The majority of its expenses is attributed to one-off costs in the production of exhibition sets. These contribute to 80 – 85% operating margins.

Strengthening track record could potentially accelerate 4th IP acquisition.

VHE has come a long way since its first exhibition. Today, it has a total of 5 operational exhibition sets and has held many successful exhibitions in various locations globally. With a strong track record in this business, as well as an extensive network of international operating partners, VHE has gained credibility in its ability to successfully scale its business.

Valuation & Action

We initiate coverage on Cityneon with a BUY recommendation in view of its growth potential and high margin, low-risk business. We assign a target price of S\$1.38 to Cityneon, based on a conservative FY18F P/E of 15.1x.

Risks

Renewal of IP rights.

Financials & Key Operating Statistics

YE Dec SGD mn	2015	2016	2017F	2018F	2019F
Revenue	96.5	96.8	115.7	131.7	153.2
PATMI	0.9	6.7	16.4	22.4	31.1
Core PATMI	0.9	6.7	16.4	22.4	31.1
Core EPS (SGD cents)	0.7	2.8	6.7	9.1	12.7
Core EPS grth (%)	(73.5)	302.6	136.4	36.7	39.1
Core P/E (x)	155.7	38.7	16.4	12.0	8.6
DPS (SGD cents)	0.0	0.0	0.0	0.0	0.0
Div Yield (%)	0.0	0.0	0.0	0.0	0.0
Net Margin (%)	0.9	6.9	14.2	17.0	20.3
Gearing (%)	14.2	26.3	24.0	20.0	16.3
Price / Book (x)	2.7	3.7	3.1	2.5	1.9
ROE (%)	2.3	11.2	21.1	23.1	25.2

Source: Company Data, KGI Research

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Investment Thesis

Making inroads into new territories

Since its incorporation in 2013, VHE has held a number of exhibitions globally, with 1 permanently installed exhibition set in Las Vegas (permanent set) and 4 mobile exhibition sets (travelling sets). VHE’s itinerary includes recently announced exhibitions in China (Chongqing), Russia (Moscow) and Australia (Melbourne). Additionally, VHE intends to add 2 additional travelling sets (Transformers and Jurassic World) to its inventory within the next year, making up a total of 8 sets (4 Avengers, 2 Transformers, 2 Jurassic World).

Given the 5 year experience of the management in this IP business and building on the successes of past exhibitions, we believe that widening its geographical footprint would be easier for two reasons:

1. Demand for the exhibition from international promoters around the world would increase from witnessing how well past exhibitions were received and the strength of the movie franchises.
2. VHE would be able to tap on the existing network of international promoters to support other exhibitions; from existing IP rights and newly acquired ones in the future.

Figure 1: Exhibition pipeline; New locations to be announced

	2016				2017				2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Avengers (A1)	Permanent set in Treasure Island Hotel & Casino, Las Vegas															
Avengers (A2)		Paris		Singapore		Taiwan		Russia	TBA	TBA						
Avengers (A3)	China															
Avengers (A4)	Australia (2 years)															
Transformers (T1)	China (2 years)															
Transformers (T2)	TBA															
Jurassic World (JW1)		Melbourne		Philadelphia		Chicago			TBA	TBA						
Jurassic World (JW2)	TBA															

Source: Company, KGI Research

Movie pipeline to strengthen VHE’s IP business

As VHE’s interactive exhibitions are tied to blockbuster franchises, we believe that the six new movies in the Avengers, Transformers and Jurassic World series, that will be released over the next two years, will bring about continued interest in the franchises and serve as a stimulus for the demand for VHE’s exhibitions. VHE’s value proposition of creating a tangible experience for fans, by bringing characters off movie screens and closer to fans, complements these movies and puts it in a sweet spot to benefit from the popularity of these movie instalments while being sheltered from the variability of viewership (borne by promoters).

Figure 2: Upcoming Avengers, Transformers and Jurassic World films

Avengers Films		
3	Avengers: Infinity War (Part 1)	2018
4	Avengers: Infinity War (Part 2)	2019
Transformers Films		
6	Transformers Universe: Bumblebee	2018
7	Untitled Transformers Film	2019
Jurassic Park Films		
5	Jurassic World: Fallen Kingdom	2018
6	Untitled Jurassic Park Film	TBA

Source: Marvel Entertainment, Hasbro, Universal Studios

Well-positioned for the 4th IP acquisition

With a strong track record in bringing experiential exhibitions to the world, VHE has gained credibility in its capabilities. Furthermore, VHE has also established a strong network of international promoters in the various locations it has showcased its exhibitions in. This could increase the ease of entering those regions again with different exhibitions and to support the sustainability of additional exhibitions for newly acquired IP rights. We believe that the past exhibitions are a testament to management’s competence and would bode well in future negotiations for new IP rights with Disney and Hasbro. Cityneon’s management has also indicated that it intends to pursue its ambitious growth plans with a focus on its IP rights segment (VHE). With its track record and existing relationships with promoters, we firmly believe that VHE is well positioned to take on its 4th IP and leverage on its past successes.

4th IP could potentially be one of the following

According to the management, it is continuously on the lookout for IPs that are in line with its strategy and meet the following criteria:

1. Movie franchises with box office performance above US\$1b globally
2. Movie franchises with plans for future instalments

Historically, VHE’s existing IPs were one of the top 20 highest grossing films, which is why we have reason to believe the 4th IP could be from this list as well. Based on the above criteria, we believe that the 4th IP could be one of the following:

1. Star Wars (4 movies in the pipeline)
2. Justice League (6 movies in the pipeline) Batman, Wonder Woman etc.

We think these would make good additions to VHE’s IP stash as each of these franchises (1) have a wide range of characters to showcase in an exhibition, (2) have upcoming movie instalments that would bode well for the continuity of the exhibitions, and (3) have been well received globally and involve some kind of action/thrill that would be interesting to showcase as part of its business in bringing the movie experience to the world.

Marvel movie pipeline

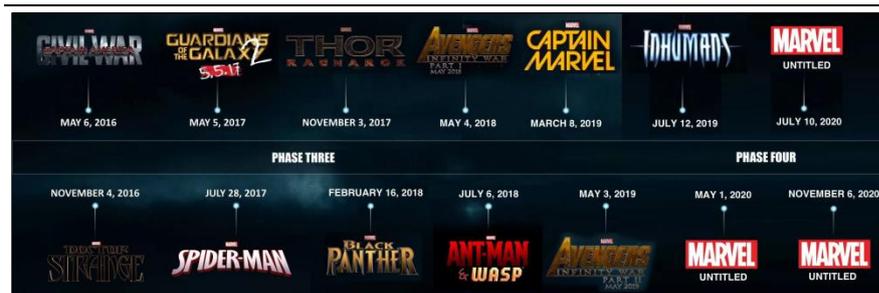
Given the success of VHE’s Marvel Avengers S.T.A.T.I.O.N. travelling and permanent sets, we also believe it would be plausible for the 4th IP to be from the Marvel universe with over 5,000 characters. Having one successful IP from Marvel could also mean it would be easier to acquire another from Marvel.

Figure 3: Top 20 grossing films worldwide

Rank	Year	Title	Gross (US\$b)
1	2009	Avatar	2.8
2	1997	Titanic	2.2
3	2015	Star Wars: The Force Awakens	2.1
4	2015	Jurassic World	1.7
5	2012	The Avengers	1.5
6	2015	Fast & Furious 7	1.5
7	2012	Avengers: Age of Ultron	1.4
8	2011	Harry Potter & The Deathly Hallows: Part II	1.3
9	2013	Frozen	1.3
10	2013	Iron Man 3	1.2
11	2015	Minions	1.2
12	2016	Captain America: Civil War	1.2
13	2011	Transformers: Dark of the Moon	1.1
14	2003	The Lord of the Rings: The Return of the King	1.1
15	2012	Skyfall	1.1
16	2014	Transformers: Age of Extinction	1.1
17	2012	The Dark Knight Rises	1.1
18	2010	Toy Story 3	1.1
19	2006	Pirates of the Caribbean	1.1
20	2011	Pirates of the Caribbean: On Stranger Tides	1.0

Source: Company

Figure 4: Marvel movie pipeline



Source: Marvel Entertainment

Valuation

We initiate coverage on Cityneon with a BUY recommendation in view of its growth potential and high margin, low risk business. We assign a target price of S\$1.38 to Cityneon, based on a conservative FY18 P/E of 15.1x (20% discount to the peer average of 18.9x), and a FY18 EPS of 9.15 cents. We give Cityneon a 20% discount given its shorter track record relative to its peers.

Key assumptions

- 6 exhibition sets by the end of FY17 and 8 by the end of FY18.
- The 2 exhibition sets that are currently under construction will be operational by 1Q18.
- Average ticket cost for the permanent set is US\$34.
- Number of visitors to the Avengers permanent set in FY17 of 442k was based on estimated 4Q17 number of visitors of 10.4m, making a total of 42.5m visitors to Las Vegas by the end of FY17.
- 52% of visitors arriving into Las Vegas travel for the purpose of gambling and leisure/vacation, based on visitor statistics obtained from the Las Vegas Convention and Visitors Authority.
- This translated to 22.1m visitors travelling to gamble and for leisure/vacation.
- We used a conservative 2% of this number of visitors as a proxy for the total number of visitors for the permanent set. The FY17 visitor estimate of 442k was about 20% lower than management's estimates of 548k (1.5k exhibition visitors per day for 365 days).
- Gross and net margins are expected to widen with a greater exposure to the IP rights segment, based on management's strategic move to shift its focus.

Figure 5: Comparables of Regional MICE companies and Entertainment attraction operators

Company	Last Price	Market Cap (\$\$ m)	P / E (x)			P / B (x)			Div Yield (%)		Gearing (%)
			Last FY	Current FY	Next FY	Last FY	Current FY	Next FY	Last FY	Current FY	Current
Cityneon Holdings Ltd	SGD 1.15	280	33.4	17.1	11.3	3.3	3.3	2.5	0.0	0.9	-
Regional MICE companies											
Kingsmen Creatives Ltd	SGD 0.58	114	10.4	-	-	1.1	-	-	4.0	-	8.9
Pico Far East Holdings Ltd	HKD 3.38	724	9.6	13.5	13.0	1.6	2.2	2.1	5.1	5.0	-
Ite Group Plc	GBP 195.25	934	-	24.1	23.8	6.0	-	-	2.8	2.0	-
Tarsus Group Plc	GBP 307.75	618	41.1	11.5	17.0	4.6	-	-	3.2	3.2	-
GI Events	EUR 25.75	955	12.1	15.1	13.9	1.0	1.7	1.6	3.8	2.7	-
Fiera Milano Spa	EUR 2.35	268	-	47.0	14.7	1.6	2.5	2.1	0.0	-	50.6
Interactive Entertainment Ch	HKD 0.03	27	-	-	-	0.6	-	-	0.0	-	30.8
Viad Corp	USD 56.65	1,571	18.0	19.3	19.6	2.5	-	-	0.9	-	-
Simple average			18.2	21.8	17.0	2.4	2.1	2.0	2.5	3.2	30.1
Entertainment attraction operators											
Cedar Fair Ip	USD 65.93	5,060	20	22	20	60	25	13	5	5	96
Seaworld Entertainment Inc	USD 11.21	1,385	256	-	27	4	3	2	4	0	87
Six Flags Entertainment Corp	USD 63.80	7,296	47	29	28	-	-	-	4	4	103
Dave & Buster'S Entertainmen	USD 46.53	2,610	26	17	16	5	1	0	0	-	42
Mears Group Plc	GBP 471.00	870	19	15	13	2	-	-	3	3	-
Simple average			73.5	20.9	20.8	17.7	9.5	5.2	3.1	3.0	81.9
Total average			45.9	21.3	18.9	10.0	5.8	3.6	2.8	3.1	56.0

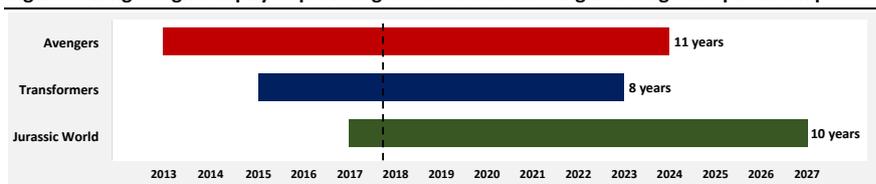
Source: Bloomberg, Company Data, KGI Research

Company Overview

Victory Hill Exhibitions: Where all the excitement and explosive action lie

Acquired by Cityneon Holdings in 2015, Victory Hill Exhibitions (VHE) is a global exhibition production and distribution company focused on delivering engaging, educational and interactive exhibitions. VHE currently owns three IP rights and licences to create and showcase Marvel Avengers S.T.A.T.I.O.N., Hasbro Transformers Auto-bot Alliance and Jurassic World: The Exhibitions using leading technologies.

Figure 6: Long IP rights expiry to provide greater ease of entering into long term partnerships



Source: Company, KGI Research

Well positioned for growth with scalability of business model

With three exclusive IP rights under its belt, VHE currently showcases its exhibits globally with 1 permanently installed exhibition set in Las Vegas (permanent set) and 4 mobile exhibition sets (travelling sets) that are set up and displayed typically for 3 – 6 months at one location before moving to the next (excl. one under construction). VHE has plans to add 2 new travelling sets within the next year, totalling 8 exhibition sets. A newly conceptualized exhibition set would typically cost US\$5 – 8m and take one year to construct (from R&D to completion). However, with each subsequent replica of the initial set, it would only cost US\$2 – 4m in additional spending and take 2 – 3 months to construct. This means that without the need for additional R&D costs, the business is able to increase its exhibition sets cheaper and faster, translating to higher margins and allowing them to speed up its expansion plans. Any additional modifications to existing exhibits or construction of new exhibits to keep up to date with the movies would typically require US\$100 – 200k in additional spending.

Business model – Travelling set

The attractiveness in VHE is largely in its low execution risk business model for its travelling sets. It earns most of its revenues in the form of fixed licensing fees and a variable portion from royalties. And because VHE is an exhibition producer, it does not promote nor operate the exhibition. Instead, VHE licenses a local operator to operate the exhibition, receiving from them, a fixed license fee which makes up 90% of VHE's revenues earned from that exhibition. In this regard, there is minimal execution risk that could impact its margins, between 80 – 85%, which are derived substantially from a fixed license fee. Furthermore, each exhibition set is insured by the operator for up to US\$10m. This means that any damages to the travelling sets will be borne by the operator.

VHE receives almost 90% of its revenues in the form of fixed license fees from the promoter in two tranches for the usage of the exhibition set. The remaining portion of the revenue is from ticket sales and merchandise sales. Of which, 20% is the minimum guaranteed amount, which reduces risk of poor visitorship. The other 80% is subject to variability in visitorship.

Figure 7: Travelling set revenue and cost structure

Revenue (Fixed)
License Fees
Min. Guarantees on Royalties
Revenue (Variable royalties)
Ticket Sales
Merchandising
Photography
F&B
Sponsorships
Other Ancilliaries (Carpark, Booths, etc.)
Cost
Cost of merchandise
SG&A; Operating cost
Depreciation
Royalties to Marvel/Hasbro

Source: Company

Cost for the travelling set is minimal and includes depreciation expenses for the exhibition set, cost of the merchandise, other operating expense (logistics and transportation of the sets) and royalties to Marvel/Hasbro (half of the minimum guaranteed amount).

Figure 8: Permanent set revenue and cost structure

Revenue
Ticket sales
Merchandise sales
Ticket service charge
Photography operations
Naming rights to building
Sponsorships
Cost
Rental of area
SG&A; Operating cost
Marketing & Promotion

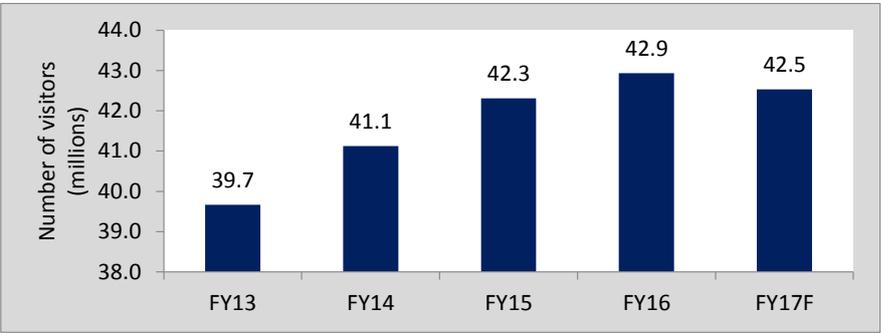
Source: Company

Business model – Permanent set

The business model for the permanent set in Treasure Island Hotel & Casino, Las Vegas, is different in that VHE is both the producer and operator of the exhibition. In this regard, VHE bears substantially higher risk as the bulk of its revenues are subject to the fluctuations of visitorship at the exhibitions. That said, we still think that VHE’s exposure to this risk is minimal given that more than half of their IP rights segment’s revenue is derived from the travel sets. Furthermore, we assume a conservative average visitorship of 442k for CY17 (2% of visitors travelling to Las Vegas for leisure and to gamble in CY17 (4Q17 estimated based on average seasonality for 4Q15 and 4Q16 statistics from the Las Vegas Convention and Visitors Authority). Based on an average ticket price of US\$34, we estimate full-year revenues generated from the permanent set to be about US\$15m and net profit of US\$9m, based on a net margin of 60%.

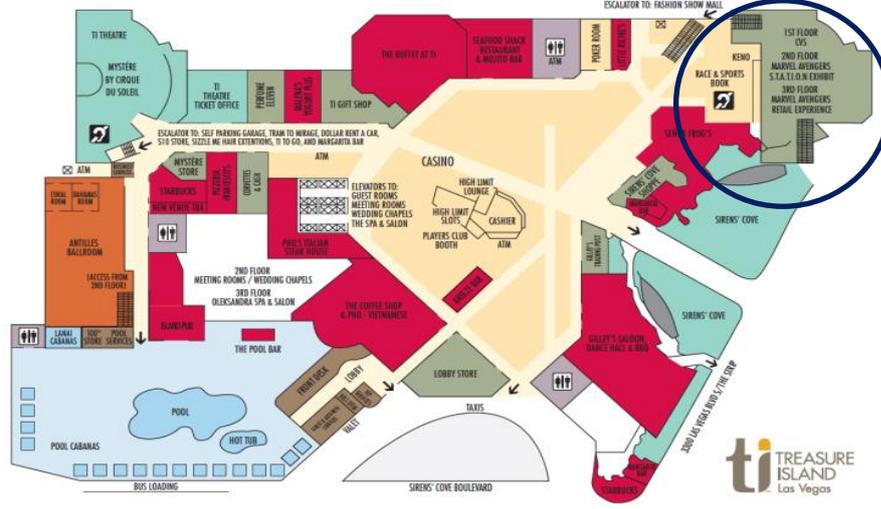
Unlike the travelling set, the bulk of VHE’s revenues for the permanent set are almost entirely variable – Ticket sales, Merchandise sales, Photography operations. The fixed portion is significantly lower than the fixed portion of the travelling set – Sponsorship revenues and naming rights. Cost for the permanent set is similar to the travelling set with one new addition – Rental expense for the area of operations.

Figure 9: Annual visitors to Las Vegas



Source: Las Vegas Convention and Visitors Authority, KGI Research

Figure 10: Avengers permanent set occupying three floors within the Treasure Island compound



Source: Treasure Island, Las Vegas

Cityneon: The traditional business

The traditional business of the group revolves around providing creative solutions to global corporations, brands, businesses, governmental and international agencies through 4 key segments – Events, Exhibitions, Experiential Environment and Interior Architecture. Cityneon has also developed specialised expertise in the area of conceptualising, designing and building of Museums, Galleries, Themed Parks and Attractions, including Pavilions at World Expositions.

Figure 11: Traditional business of Cityneon

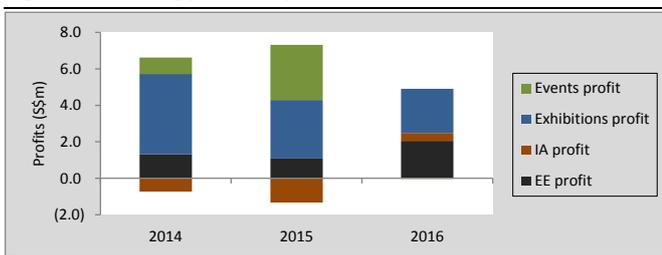


Source: Company

Declining demand for traditional business services

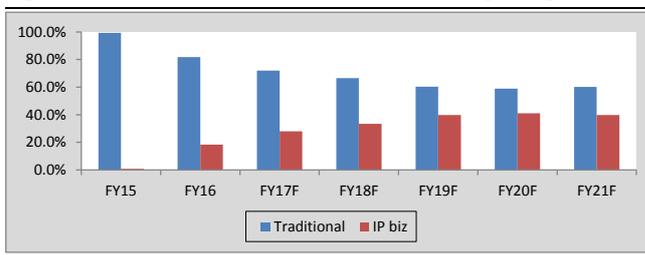
The traditional business of Cityneon which caters to Meetings, Incentives, Conferences and Exhibitions (MICE) has been declining over the years as a result of a slowdown in demand for such events. The demand for MICE events are primarily driven by the global economy, and has continued to remain on a gradual downward path. A mix of declining demand, cyclical nature of the business and intensifying competition in the industry has put a drag on profits, and would likely continue to do so.

Figure 12: Declining profitability in overall traditional business



Source: Company Data, KGI Research

Figure 13: A shift in revenue mix to focus on new IP rights segment



Source: Company Data, KGI Research

Restructuring plans to optimise resources and cut cost

In light of the tepid outlook of the traditional business, management is intending to streamline the group into a more nimble and lean organisation to capitalise on operational efficiencies. This will be achieved with the merger of the Exhibition and Events segment. We believe that this strategic move would better consolidate resources, facilitate cost savings, and improve operational efficiency. While we expect to see improvements in margins in the amalgamated segment, we do not expect profits to be spectacular until we start to see a pick-up in demand for MICE events.

Expansion of Experiential Environment segment to capitalise on past successes

Additionally, a greater focus will be on the Experiential Environmental segment, which had recently completed a multi-million dollar international theme park project in Shanghai, bolstering its track record in this space. This segment focuses on design, architecture and upgrading of theme parks and other attractions. Management has also indicated that they are currently in talks with international theme parks and integrated resorts. We like that management is focusing on this value-creating segment in the traditional business and also the fact that it is actively seeking larger projects.

Figure 14: Past events in 2016 (Singapore)



Source: Company

Figure 15: Past exhibitions in 2016 (Singapore and U.S.)



Source: Company

Figure 16: Past attractions in 2015 (Italy expo)



Source: Company

Figure 17: Past attractions in 2015 (Singapore and Italy)



Source: Company

Key Risks

Permanent set: Earnings subject to variability of visitorship

As VHE is also the operator of its permanent set in Las Vegas, its earnings could be affected by poor visitorship, which is also dependent on promotional and marketing initiatives of VHE. Visitorship could be influenced by many factors which include a drop in overall tourism. Although such events are not within the management's control and could have a significant impact on earnings, we think the likelihood of such events occurring is marginal.

Travelling set: Delays in transportation from one location to the next

Delays in transportation of exhibition sets could affect the reputation of the company and affect the earnings of the operator, putting a strain on the relationship between Cityneon and the operating partners. Exhibition sets could also be lost or damaged in transit, which could have the same effect as delays in transportation.

Renewal of IP rights

The sustainability of VHE's business model is dependent on the continuity and additions of IP rights. The inability to renew an existing IP would mean a loss of income for VHE. Given that Cityneon is shifting its focus to its IP rights segment, failure to renew any IP rights would have a significant impact on its long-term strategy and consequently its earnings.

Financial review and outlook

Figure 18: Results comparison

FYE Dec (SGD m)	1H17	1H16	yoy % chg	4Q16	qoq % chg	Prev FY17F
Revenue	49.7	46.3	7.3%	-	-	115.7
Cost of sales	(26.5)	(28.3)	-6.7%	-	-	(66.8)
Gross profit	23.3	18.0	29.5%	-	-	48.9
<i>Gross margin (%)</i>	<i>46.8</i>	<i>38.8</i>		-	-	<i>42.3</i>
Administrative and other operating expense:	(13.9)	(11.5)	20.7%	-	-	(28.7)
Marketing and distribution expense	(0.6)	(0.7)	-7.8%	-	-	(1.7)
Other operating income	0.4	0.4	-8.1%	-	-	0.6
Other gains/(losses)	0.0	0.0	-	-	-	0.0
Finance income	0.0	0.0	-	-	-	0.2
Finance cost	(0.5)	(0.4)	22.5%	-	-	(1.0)
Profit before tax	8.6	5.7	49.5%	-	-	18.2
Income tax	(0.8)	(1.0)	-17.6%	-	-	(1.8)
Minority interests	(0.0)	0.0	N.M.	-	-	0.0
PATMI	7.7	4.7	62.4%	-	-	16.4
DPS (cents)	0.0	0.0	-	-	-	0.0
EBITDA, adjusted	9.2	6.2	47.2%	-	-	25.0

Source: Company data, KGI Research

Income statement

- Cityneon reported fiscal 1H17 revenue of S\$49.7m which grew 7.3% YoY from 1H16 revenue of S\$46.3m. This was due to the increase in projects for the Interior Architecture segment.
- The decline in cost of sales was in line with fewer projects coming from the Exhibitions/Events segment. These contributed to an impressive 29.5% increase in gross margin.
- Administrative and operating expense rose 20.7% and was due to the acquisition of Jurassic World exhibitions in 3Q17.
- Other operating income also declined in light of fewer projects from the Exhibition/Events segment, specifically the Food Hotel Asia exhibition which takes place every even year.
- Finance cost increased 49.5% YoY due to an increase in borrowings for the acquisition of Jurassic World exhibitions in 3Q17.

Balance sheet

- Cityneon's balance sheet is fairly strong with healthy liquidity ratios.
- Debt/Capital stands at 24% and most of the debt is made up of short term interest bearing loans.
- Interest coverage ratios are in healthy double digit regions and will increase as earnings increase while interest cost remains at current levels.

Commentary

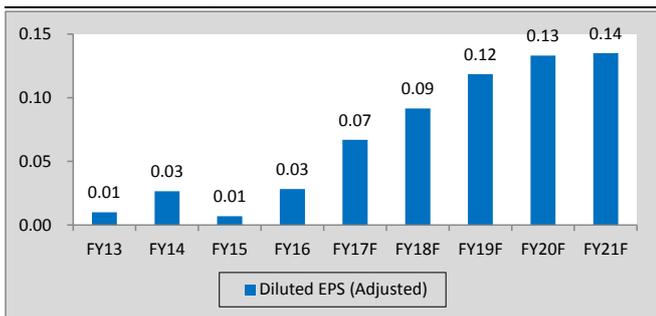
- Key drivers for earnings growth** would be the addition of exhibition sets, granted they are fully utilised and do not remain idle; Winning an additional IP right would also drive earnings going forward (this comes with additional capex in constructing the new sets)
- Expectations for full-year results** remain positive for Cityneon with its new added locations for its exhibitions.
- Going forward into FY18**, we are also positive in light of new locations for the travelling sets, which add visibility to earnings, as well as the possibility of a 4th IP.

Figure 19: Company profile

Cityneon Holdings Ltd, through its subsidiaries is a turnkey service provider of creative solutions in the area of Interior Architecture, Events, Exhibitions and all manner of Experiential Environment through the actualization of creativity, production, execution and delivery. It also has very specialized expertise in the area of conceptualizing, designing and building Museums.

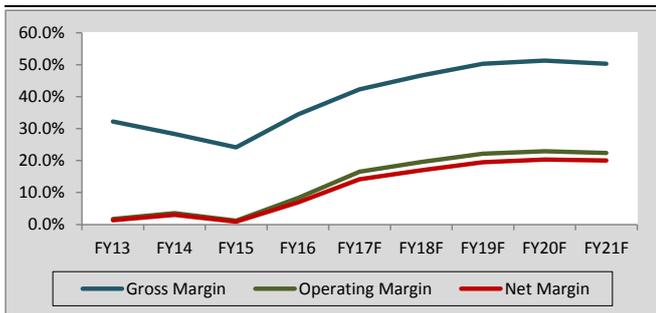
Source: Bloomberg

Figure 21: Diluted EPS projections



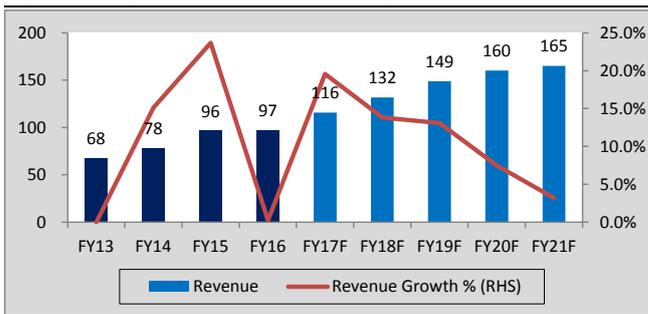
Source: Company Data, KGI Research

Figure 23: Gross margin, Operating margin and Net margin



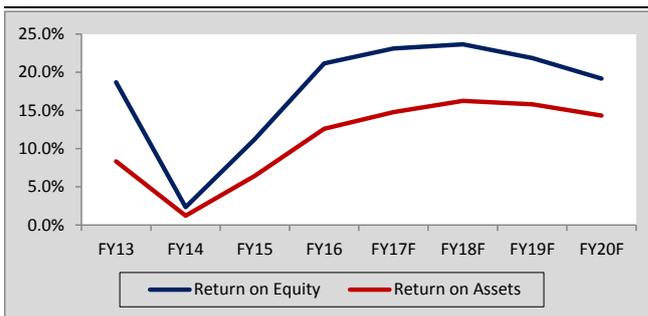
Source: Company Data, KGI Research

Figure 20: Projected revenue and revenue growth



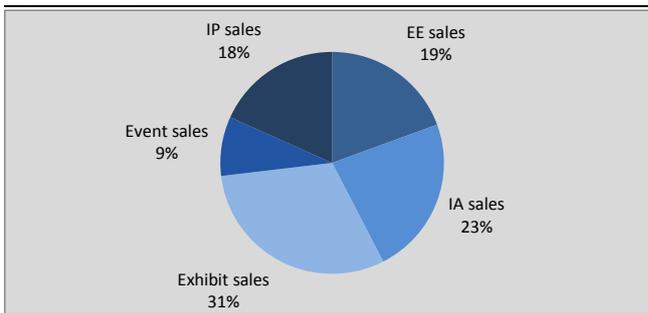
Source: Company Data, KGI Research

Figure 22: ROE and ROA



Source: Company Data, KGI Research

Figure 24: Segment contribution to FY16 revenue



Source: Company Data, KGI Research

Financials

FYE 31 December

INCOME STATEMENT (SGD mn)	2015	2016	2017F	2018F	2019F
Revenue	96.5	96.8	115.7	131.7	153.2
Net Property Income	23.3	33.3	48.9	61.4	79.2
Operating Profit	1.1	8.0	19.1	25.7	35.3
Interest Expense	(0.4)	(0.6)	(1.0)	(1.1)	(1.1)
Interest Income	0.0	0.1	0.2	0.2	0.4
Profit Before Tax	0.8	7.4	18.2	24.9	34.6
Income Tax	0.0	(0.7)	(1.8)	(2.5)	(3.5)
Perpetual, others etc.	0.0	(0.1)	0.0	0.0	0.0
PATMI	0.9	6.7	16.4	22.4	31.1
	-	-	-	-	-
BALANCE SHEET (SGD mn)	2015	2016	2017F	2018F	2019F
Cash and Equivalents	24.3	23.8	32.8	50.7	83.4
Accounts Receivable	26.0	24.0	29.2	33.2	38.6
Other current assets	9.9	17.4	17.4	17.4	17.4
Total current assets	60.4	65.9	80.1	102.1	140.3
Net Property, Plant, and Equipment	16.0	43.4	49.9	52.3	47.2
Other assets	11.1	10.6	9.8	8.9	8.0
Total assets	87.6	120.0	139.8	163.3	195.6
Accounts Payable	23.8	19.6	20.6	21.7	22.9
Borrowings (Current)	8.2	24.7	27.1	27.1	27.1
Other current liabilities	4.5	5.2	5.2	5.2	5.2
Total current liabilities	36.4	49.6	53.0	54.1	55.2
LT Borrowings	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	1.1	0.8	0.8	0.8	0.8
Total liabilities	37.5	50.4	53.8	54.9	56.1
Shareholder's Equity	49.6	69.3	85.7	108.1	139.2
Minority Interest	0.5	0.3	0.3	0.3	0.3
Total equity	50.0	69.6	86.0	108.4	139.5
Total liabilities and equity	87.6	120.0	139.8	163.3	195.6
CASH FLOW STATEMENT (SGD mn)	2015	2016	2017F	2018F	2019F
Net Profit	0.8	6.6	16.4	22.4	31.1
Depreciation	1.3	3.6	5.0	5.7	6.7
Amortisation	0.2	0.9	0.9	0.9	0.9
Other non-cash adjustments	0.1	0.3	0.0	0.0	0.0
Changes in working capital	0.8	(7.7)	(4.1)	(3.0)	(4.3)
Deferred taxes	(0.3)	0.3	0.0	0.0	0.0
Cash from operations	2.9	3.9	18.1	26.0	34.4
Capex	(4.6)	(29.6)	(11.5)	(8.1)	(1.6)
Other investing	(11.4)	(2.7)	0.0	0.0	0.0
Cash in investing	(16.0)	(32.3)	(11.5)	(8.1)	(1.6)
Dividends paid	0.0	0.0	0.0	0.0	0.0
Equity raised / (bought back)	15.5	12.1	0.0	0.0	0.0
Borrowings raised / (repaid)	(3.1)	15.8	2.4	0.0	0.0
Other financing	(0.9)	(0.2)	0.0	0.0	0.0
Cash from financing	11.5	27.7	2.4	0.0	0.0
FX Effects, Others	0.8	0.2	0.0	0.0	0.0
Net increase in cash	(0.7)	(0.5)	9.0	17.9	32.8
Beginning cash	23.9	23.2	22.6	31.6	49.5
Ending cash	23.2	22.6	31.6	49.5	82.3
KEY RATIOS	2015	2016	2017F	2018F	2019F
Core EPS (SGD cents)	0.7	2.8	6.7	9.1	12.7
Core EPS Growth (%)	(73.5)	302.6	136.4	36.7	39.1
DPS (SGD cents)	0.0	0.0	0.0	0.0	0.0
Div Yield (%)	0.0	0.0	0.0	0.0	0.0
Price/Book	2.8	3.9	3.2	2.6	2.0
Profitability (%)					
NPI Margin	24.1	34.4	42.3	46.6	51.7
EBITDA margin	2.7	12.9	21.6	24.6	28.0
Net Margin	0.9	6.9	14.2	17.0	20.3
Return on Equity	2.3	11.2	21.1	23.1	25.2
ROIC	4.4	16.6	24.3	29.5	39.2
Financial Structure (x)					
EBIT / Interest Expense	2.8	12.5	18.4	23.7	32.6
Debt / Capital	0.1	0.3	0.2	0.2	0.2

Source: Company Data, KGI Research

Appendix

Key Management	
Ron Tan Executive Chairman & Group Chief Executive Officer	<ul style="list-style-type: none"> ▪ Served as Executive Director/Independent Director of several local & international companies. ▪ Producer of award-winning Hi-5 television series (Hi-5 House) & Hi-5 movie "Some Kind of Wonderful". TV series was sold and broadcasted to more than 200 countries globally. ▪ Served in various distinguished management positions at MediaCorp, LexisNexis Asia Pacific in Singapore & Hong Kong, Singapore Tourism Board and Economic Development Board of Singapore. ▪ Experienced entrepreneur in field of intellectual property production & distribution, themed entertainment, venue operations & management, licensing & merchandising.
Welby Altidor Group Chief Creative Officer	<ul style="list-style-type: none"> ▪ Over 20 years at the cutting edge of live innovation, relentlessly working towards moving audiences and stressing the importance of creating collaborative cultures. ▪ Served as Executive Creative Director in Cirque Du Soleil. ▪ Managed Creative Directors of projects in creation and development.
Nicholas Cooper Chief Creative Officer	<ul style="list-style-type: none"> ▪ Award winning producer/director/writer with over 15 years of experience in the entertainment industry. ▪ Specialises in creating engaging entertainment productions across multiple platforms and has been responsible for numerous productions at Warner Brothers.
Michael Mattox Chief Technical Officer	<ul style="list-style-type: none"> ▪ Served as Director of the Theatrical Services and Entertainment Operations at SeaWorld San Diego & Technocal Director/Operations Production Manager for Cirque Du Soleil. ▪ Oversaw a team of 149 (crew operations, electronic services etc.) from 2013 – 2015.
Stephen Couture Vice President, Finance	<ul style="list-style-type: none"> ▪ Established track record as senior financial executive in early stage, rapid growth, middle market companies. ▪ Previously served as CFO of a NASDAQ (\$500m Market Cap company). ▪ Over 20 years of experience in professional consulting, focusing on engagements in numerous industries.
Daniel Pearce General Manager, Las Vegas/Operations	<ul style="list-style-type: none"> ▪ Served as Director of Retail Operations from MGM and General Manager from EMS Entertainment. ▪ While at EMS, he & his team set precedence for the Company to open four attractions across the U.S. within a span of 2 years.

Figure 25: Key milestones of Cityneon since inception



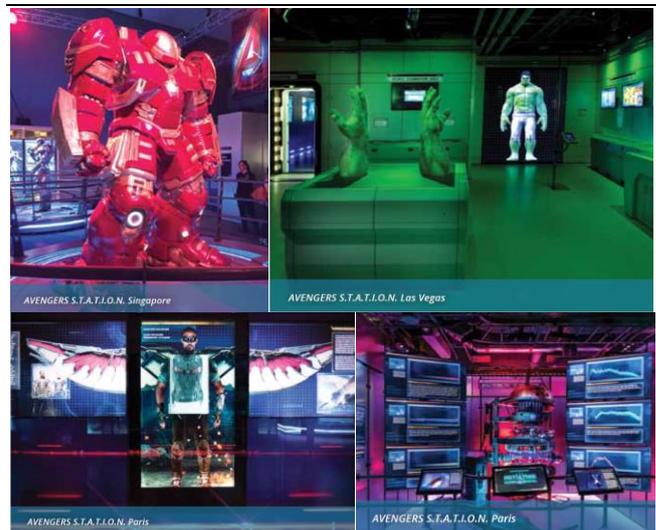
Source: Company

Figure 26: Awards and Accolades



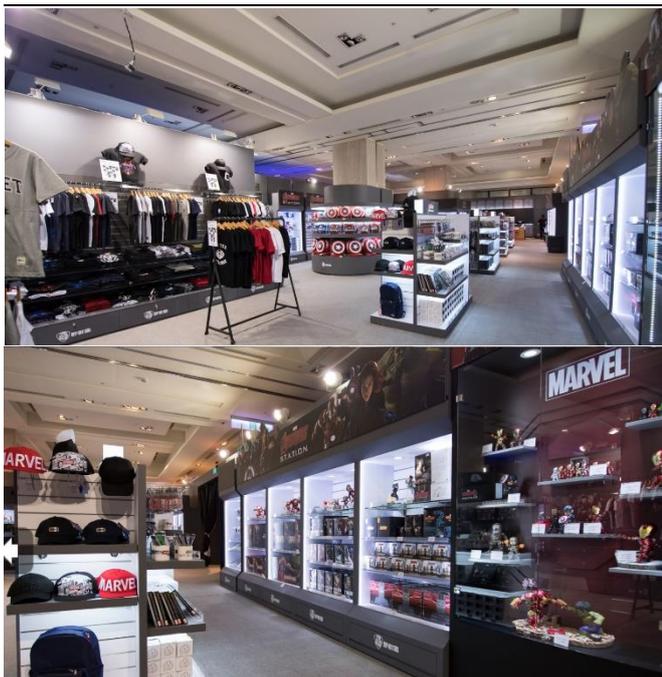
Source: Company

Figure 27: Avengers exhibition highlights 2016



Source: Company

Figure 28: Avengers merchandise at the Singapore Science Centre



Source: Company

Figure 29: Interactive informational exhibits



Source: Company

Figure 30: Jurassic World: The Exhibition in Philadelphia (Tyrannosaurus Rex)



Source: Company

Figure 31: Jurassic World: The Exhibition in Philadelphia (Indominus Rex)



Source: Company

Figure 32: Transformers interactive exhibition in China



Source: Company

Figure 33: Transformers interactive exhibition in China



Source: Company

Figure 34: Avengers pre-exhibition launch in China



Source: Company

Figure 35: Avengers pre-exhibition launch in China



Source: Company

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Rating	Definition
	KGI Securities Research's recommendations are based on an Absolute Return rating system.
BUY	>10% total return over the next 12 months
HOLD	-10% to +10% total return over the next 12 months
SELL	<-10% total return over the next 12 months

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