



UnUsUal Ltd

(UNU SP/UNUS.SI)

Unusually quiet for now but might get exciting at year's end

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- **Slow 1H FY2021, could pick up by 4Q FY2021 (YE Mar).** As the pandemic hit, hard and fast, worldwide, UNU has been unable to run any shows at all since February 2020. However, Taipei has recently reopened, and management is of the view that Singapore, Malaysia, China and Hong Kong should also begin to reopen by the end of CY 2020.
- **A new normal for all.** Online live-streaming of live concerts could become a new source of income to help make up for cut physical capacity in concert halls/venues, especially as Covid-19 remains an unavoidable threat to UNU's core business in the near future.

| Financials & Key Operating Statistics | | | |
|---------------------------------------|----------|--------|--------|
| YE Mar (\$\$ m) | 2018 | 2019 | 2020 |
| Revenue | 46,442 | 56,932 | 61,943 |
| PATMI | 10,021 | 13,194 | 6,067 |
| EPS (cents) | 0.88 | 1.28 | 0.62 |
| EPS growth (%) | | 45.5 | (51.6) |
| DPS (Sing cents) | - | - | - |
| Div Yield (Y%) | 0.0% | 0.0% | 0.0% |
| Net Profit Margin (%) | 21.6% | 23.2% | 10.2% |
| Net Gearing (%) | Net cash | 0.5% | 13.7% |
| Price P/B (x) | 3.58 | 2.68 | 2.40 |
| ROE (%) | 25.2% | 24.9% | 10.7% |

Source: Company data, KGI Research

It's going to be a red 1H FY2021. As of August 2020, only two shows have run in Taipei, with just a handful more planned in the coming months. While both shows ran at 100% physical capacity (i.e. 10k seats), UNU only managed to secure about a 30% cut as they were unable to be there physically and had to outsource the management and production of the shows, due to travel restrictions. In other countries, with tight restrictions still in place on the number of participants (e.g. 250 participants for ticketed events in Singapore), UNU is still unable to run any shows – although management has confirmed that there is a possibility for family entertainment to resume as soon as restrictions ease to allow 500-1,000 participants at any event.

FY2021 outlook. For now, UNU is making every effort to reduce operating costs, and have managed to do so by about 30% and still retain its core competencies. Looking forward, UNU is hoping to restart shows when restrictions ease to allow at least 50% capacity of concert halls/stadiums – possibly by the end of CY2020 (i.e. UNU's 3Q FY2021) in Singapore, China, Hong Kong and Malaysia, depending on the Covid-19 situation and safety measures in place in each of the respective countries. However, since running shows at minimal or 50% capacity (e.g. 5k tickets for a 10k capacity theatre) would be insufficient for any stakeholder to turn a profit, artists would likely have to do multiple shows to make up for cut capacity, even for previously mentioned family entertainment shows.

| Not Rated | | Performance (Absolute) | |
|-----------------------------|-------|--------------------------|-------|
| Price as of 19 Aug 20 (SGD) | 0.14 | 1 Month (%) | -6.2 |
| 12M TP (\$) | | 3 Month (%) | 6.7 |
| Previous TP (\$) | | 12 Month (%) | -51.1 |
| Upside, incl div (%) | | | |
| Trading data | | Perf. vs STI Index (Red) | |
| Mkt Cap (\$mn) | 141 | | |
| Issued Shares (mn) | 1,029 | | |
| Vol - 3M Daily avg (mn) | 0.2 | | |
| Val - 3M Daily avg (\$mn) | 0.0 | | |
| Free Float (%) | 18.8% | | |
| Major Shareholders | | Previous Recommendations | |
| mm2 Asia | 76.9% | | |

It still also remains optimistic on the viability of its co-production of Apollo, and are likely to reformat the show, starting with a 1.5-year tour in Asia first considering our seemingly quicker recovery, followed by its planned tour in the United States.

Covid-19 continues to catalyse the adoption of technology.

On top of doing multiple shows per artist, UNU is pushing for paid, live-streaming of its concerts online, in a similar tune to South Korea's BTS's live concert 'Bang Bang Con'. While there are still several creases to iron out, especially with regards to show and music rights, camera angles and stakeholder cuts, management is pressing on and are keen on exploring the idea, as it could be a win-win outcome for all. Although live-streaming tickets are cheaper (about 1/5th the price of a regular ticket, there are no limits on viewer location nor the actual number of viewers. BTS's Bang Bang Con drew more than 750,000 concurrent viewers at its peak, and over 50 million fans just in a weekend, with each viewer having paid just about S\$35 per stream – bringing in an estimated total of S\$26 million.

Management is of the view that online live-streaming of concerts could become a new normal for fans worldwide, especially if safety distancing measures continue to be imposed and the number of physical participants continue to be restricted throughout the next year. Even post Covid-19, live-streaming of concerts could continue to be an additional revenue source as it allows fans from all over the globe to tune in to live concerts without the costs and hassle for travel, just as how live sports events and tournaments have been live-streamed for many years now. However, margins have yet to be hashed out on UNU's end – although it may also be largely dependent on the popularity of the artist and the size of his/her fan base.

Valuation & Action: UNU trades at 22.4x FY2020 P/E and 1.9x historical P/B. However, this is not meaningful as we expect the group to be loss-making in FY2021. More importantly is how UNU gets to the other side of the current pandemic-induced recession.

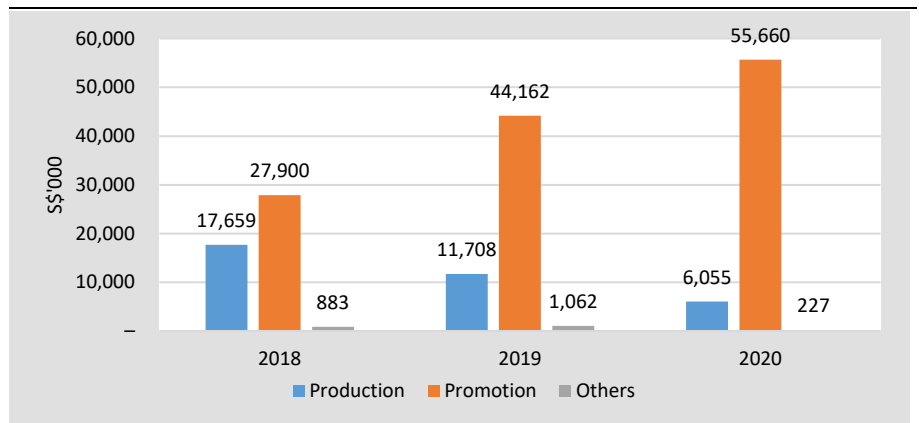
Cash can last till 3 years. The group still had S\$12.6mn cash as at end-March 2020. Employee expenses are around S\$3.3mn per year and assuming it brings this down by 30%, expenses can be manageable at S\$2.3mn. Adding in another S\$1.5mn in other expenses such as office rental, we estimate a total cash expense of S\$3.8mn per year. Thus, UNU would be able to last through another 3 years, more than enough time for the impact of Covid-19 to subside.

All other expenses such as manpower/subcontractor (S\$5.3mn in FY2020) and transportation/freight costs (S\$2.0mn in FY2020) are highly dependent on whether it can organise such large-scale events. As a result, these will not be a drag on its cash flows in FY2021.

Hope for the best. A best-case scenario that may possibly work out is if UNU can start organising Singapore concerts by the Oct-Dec 2020 period, as there could be high demand following the concert drought from Feb to Sep 2020. Assuming a 50% capacity limit due to safe distancing measures, UNU could possibly still mint a profit if all stakeholders (contractors, transport companies, venue owners) work together to bring costs down such that the breakeven levels are lower than what it was pre-Covid.

Risks: UNU being unable to restart live shows and concerts in FY2021 due to travel and safety restrictions.

Figure 1: UNU sales by segments



Source: Company, KGI Research

Financials

UNU was just about to take off before the Covid-19 pandemic derailed its growth plans. Revenues for the two quarters prior to 4Q FY2020 reached all-time highs, with strong bottom line contribution of S\$5.0mn and S\$3.5mn in 2Q and 3Q FY2020, respectively. The group's competitive strength is in its ability to secure high profile artistes of the likes of Andy Lau, Jacky Cheung, JJ Lin, Mariah Cary and Michael Bubl .

Figure 2: Financials (Quarterly), YE March

| YE March, millions | 3 months | 3 months | 3 months | 3 months | 3 months | 3 months | 3 months | 3 months | 3 months | 3 months | 3 months | 3 months |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|-------------|
| For the Fiscal Period Ending | FQ2/CQ3 | FQ3/CQ4 | FQ4/CQ1 | FQ1/CQ2 | FQ2/CQ3 | FQ3/CQ4 | FQ4/CQ1 | FQ1/CQ2 | FQ2/CQ3 | FQ3/CQ4 | FQ4/CQ1 | FQ4/CQ1 |
| Currency | Sep-30-2017 | Dec-31-2017 | Mar-31-2018 | Jun-30-2018 | Sep-30-2018 | Dec-31-2018 | Mar-31-2019 | Jun-30-2019 | Sep-30-2019 | Dec-31-2019 | Mar-31-2020 | Mar-31-2020 |
| | SGD | SGD | SGD | SGD | SGD | SGD | SGD | SGD | SGD | SGD | SGD | SGD |
| Revenue | 13.322 | 10.605 | 16.323 | 6.029 | 18.809 | 15.912 | 16.182 | 4.322 | 29.627 | 26.470 | 1.524 | |
| Other Revenue | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Revenue | 13.322 | 10.605 | 16.323 | 6.029 | 18.809 | 15.912 | 16.182 | 4.322 | 29.627 | 26.470 | 1.524 | |
| Cost Of Goods Sold | 8.949 | 6.113 | 10.154 | 2.168 | 12.508 | 10.900 | 8.403 | 1.584 | 20.925 | 19.709 | 6.619 | |
| Gross Profit | 4.373 | 4.493 | 6.169 | 3.861 | 6.301 | 5.011 | 7.779 | 2.738 | 8.702 | 6.761 | (5.095) | |
| Selling General & Admin Exp. | 1.437 | 1.499 | 1.878 | 1.155 | 2.046 | 1.493 | 2.243 | 1.323 | 2.075 | 2.192 | (0.035) | |
| Other Operating Exp., Total | 1.437 | 1.499 | 1.878 | 1.155 | 2.046 | 1.493 | 2.243 | 1.323 | 2.075 | 2.192 | (0.035) | |
| Operating Income | 2.935 | 2.993 | 4.291 | 2.707 | 4.255 | 3.518 | 5.535 | 1.414 | 6.627 | 4.569 | (5.060) | |
| Interest Expense | (0.001) | (0.001) | - | - | - | - | (0.016) | (0.105) | (0.213) | (0.247) | (0.464) | |
| Interest and Invest. Income | - | - | 0.104 | 0.042 | 0.011 | 0.005 | 0.004 | 0.005 | 0.003 | 0.007 | 0.011 | |
| Net Interest Exp. | (0.001) | (0.001) | 0.104 | 0.042 | 0.011 | 0.005 | (0.011) | (0.100) | (0.209) | (0.240) | (0.453) | |
| Currency Exchange Gains (Loss) | - | - | (0.045) | - | - | - | 0.114 | - | - | - | 0.590 | |
| Other Non-Operating Inc. (Exp.) | 0.128 | 0.051 | (0.026) | 0.121 | 0.035 | 0.103 | (0.234) | (0.079) | 0.121 | (0.231) | 0.213 | |
| EBT Excl. Unusual Items | 3.062 | 3.044 | 4.323 | 2.870 | 4.301 | 3.627 | 5.404 | 1.236 | 6.539 | 4.098 | (4.708) | |
| Gain (Loss) On Sale Of Invest. | - | - | - | - | - | - | (0.094) | - | - | - | 0.093 | |
| Gain (Loss) On Sale Of Assets | - | - | - | - | - | - | 0.006 | - | - | - | 0.020 | |
| Other Unusual Items | - | - | 0.030 | - | - | - | 0.018 | - | - | - | 0.014 | |
| EBT Incl. Unusual Items | 3.062 | 3.044 | 4.353 | 2.870 | 4.301 | 3.627 | 5.335 | 1.236 | 6.539 | 4.098 | (4.580) | |
| Income Tax Expense | 0.575 | 0.534 | 0.868 | 0.511 | 1.058 | 0.574 | 0.795 | 0.166 | 1.519 | 0.573 | (1.031) | |
| Earnings from Cont. Ops. | 2.487 | 2.509 | 3.486 | 2.359 | 3.243 | 3.053 | 4.539 | 1.070 | 5.020 | 3.525 | (3.549) | |
| Net Income to Company | 2.487 | 2.509 | 3.486 | 2.359 | 3.243 | 3.053 | 4.539 | 1.070 | 5.020 | 3.525 | (3.549) | |
| Minority Int. in Earnings | - | - | - | - | - | - | - | - | - | 0.001 | 0.001 | |
| Net Income | 2.487 | 2.509 | 3.486 | 2.359 | 3.243 | 3.053 | 4.539 | 1.070 | 5.020 | 3.525 | (3.548) | |

Source: CapitalIQ, KGI Research

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|-------------------------|---|
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