

Singapore Company Update

GHY Culture & Media Holding

Bloomberg: GHY SP | Reuters: GHYC.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

19 Aug 2022

HOLD

Last Traded Price (18 Aug 2022): S\$0.470 (STI : 3,273.48)

Price Target 12-mth: S\$0.43 (9% downside) (Prev S\$0.45)

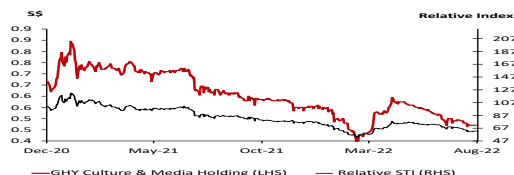
Analyst

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What's New

- 1H22 revenue declined 53% y-o-y, mainly due to a decrease in number of drama and film productions
- Net loss of S\$1.8m in 1H22, attributable to forex loss and delay in contract signings
- Positive developments to watch out for: resumption of concert production business, with upcoming concerts in FY22F and FY23F
- Maintain HOLD call with lower TP of S\$0.43

Price Relative



Forecasts and Valuation

FY Dec (\$m)	2020A	2021A	2022F	2023F
Revenue	127	83.3	110	146
EBITDA	48.4	10.6	24.7	32.6
Pre-tax Profit	46.1	6.64	21.7	29.6
Net Profit	38.1	3.90	17.4	23.7
Net Pft (Pre Ex.)	38.1	3.90	17.4	23.7
Net Pft Gth (Pre-ex) (%)	206.1	(89.8)	345.7	36.3
EPS (S cts)	3.55	0.36	1.62	2.21
EPS Pre Ex. (S cts)	3.55	0.36	1.62	2.21
EPS Gth Pre Ex (%)	nm	(90)	347	36
Diluted EPS (S cts)	3.55	0.36	1.62	2.21
Net DPS (S cts)	1.07	0.10	0.45	0.61
BV Per Share (S cts)	14.8	14.2	15.4	17.0
PE (X)	13.3	129.4	28.9	21.2
PE Pre Ex. (X)	13.3	129.4	28.9	21.2
P/Cash Flow (X)	28.3	nm	17.4	30.2
EV/EBITDA (X)	8.3	45.4	18.6	13.8
Net Div Yield (%)	2.3	0.2	1.0	1.3
P/Book Value (X)	3.2	3.3	3.0	2.8
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	43.2	2.5	10.9	13.6

Earnings Rev (%): (2) (30)
 Consensus EPS (S cts): 1.70 3.20
 Other Broker Recs: B: 0 S: 0 H: 1

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

Boost from resumption of concerts

Investment Thesis:

Concert resumption a positive development amid still challenging outlook. 1H22 results slipped into the red, mainly due to forex losses and delays in signing contracts. Though the outlook could still be challenging given China's zero-COVID policy with tight pandemic control measures, the resumption of concert production would help to boost the overall performance. We have revised down FY22F/23F net earnings by 2%/30%. For FY22F, the weakness in drama and film production is covered by the contribution from the concert segment. We did not factor in any contribution from concert production previously.

Healthy production pipeline but execution is still key. The successful rollout of the productions in the pipeline would be the key to seeing an improvement in the group's financial performance. We project 4/5 dramas for FY22F/23F, vs. three in FY21.

Valuation:

Maintain HOLD with target price of S\$0.43, based on the sum-of-the-parts valuation methodology. For the key TV programme and film production segment, we peg the valuation to its peers' average of 15x PE. For the concert segment, we benchmarked it to UnUsUaL's PE of 20x on historical pre-COVID-19 earnings.

Where we differ:

We are more cautious due to the pandemic situation and have reduced our assumptions for the number of drama productions and margins for FY22F and FY23F.

Key Risks to Our View:

Impact of the COVID-19 pandemic outbreak, dependence on key management team, and highly competitive industry.

At A Glance

Issued Capital (m shrs)	1,070
Mkt. Cap (S\$m/US\$m)	503 / 364
Major Shareholders (%)	
Vistra Trust Pte Limited	59.8
Ho Ah Huat	10.6
Taiho Hldg Ltd	7.1
Free Float (%)	22.5
3m Avg. Daily Val (US\$m)	0.01

GIC Industry : Communication Services / Media & Entertainment



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Live more, Bank less

GHY Culture & Media Holding

WHAT'S NEW

1H22 in the red, dragged by forex loss; below expectations

Results Highlights

- **1H22 in the red, below expectations.** 1H22 revenue declined 53% y-o-y, to S\$20.6m, mainly due to:
 - 1) Decrease in revenue contribution from the TV programme and film production business segment. In 1H22, the group recognised revenue mainly in respect of three completed dramas and the sale of a script vs. two ongoing dramas, one short video, and two films in 1H21.
 - 2) Decrease in revenue contribution from the "others" business segment, which mainly comprises talent management and costumes and props and make-up services, as a result of a decrease in the number of projects.
- **Lower gross profit margin.** The gross profit margin of 24.3% for 1H22 is lower than the 28.2% for 1H21, mainly due to COVID-19-related expenses.
- **Net loss attributable to forex loss and delay in contract signings.** GHY reported a net loss of S\$1.8m, vs. a profit of S\$3.4m in 1H21. This was attributable to:
 - 1) Foreign exchange loss of S\$2.7m that arose from the group's significant operations in China due to the appreciation of the Singapore dollar against the Chinese renminbi. The group would have posted a net profit of S\$0.9m for 1H22 if excluding the forex loss.
 - 2) Delay in contract signings with customers in 1H22 due to tightened COVID-19 measures in China.

Outlook & Strategy

Positive developments: Resumption of concert production business, with upcoming concerts in FY22 and FY23.

Pipeline includes:

- 1) Sold-out tickets for Jay Chou's concerts to be held in Singapore and Malaysia in FY22 and January 2023, with ticket sales for Australia expected to commence in 3Q22.
- 2) Co-producer of concerts with well-known artistes Guns N' Roses and Power Station (动力火车) to be held in FY22, to capture the pent-up concert demand.
- 3) Expect resumption of concerts in China in 2023.

Shifting focus to short video production. The group is gradually shifting focus to short video production, riding

on the success of its collaboration with Beijing Zitiao Network Technology, part of the ByteDance Group that operates Douyin (also known as TikTok). The group has completed three short videos in 1H22, and we can expect more productions going forward. We project 10 short videos for FY22F and 20 in FY23F. A short form video typically comprises about 20 to 30 episodes of at least 120 seconds each.

Earnings & Recommendation

Revised down FY22F/23F net earnings by 2%/30%. For the concert segment, we have factored in four concert productions in Singapore (two for Jay Chou, one for Guns N' Roses, and one for Power Station) in FY22F. For FY23F, we expect the resumption of concerts in China to be likely in 2H23. Hence, we have assumed a total of nine concerts, out of which five would be in China.

For the drama and film production segment, we project a total of four and five dramas for FY22F and 23F respectively, vs. our previous assumption of four and six dramas. Margins are also expected to be lower, mainly due to COVID-related expenses. Hence, we have lowered the gross profit margin to 28%/30% in FY22F/23F, from 30%/32% previously.

Overall, net earnings for FY22F/23F were reduced by 2%/30%. For FY22F, the weakness in drama and film production is covered by the contribution from the concert segment. We did not factor in any contribution from concert production previously.

Maintain HOLD with lower TP of S\$0.43. Our TP, which is based on the sum-of-the-parts valuation methodology, has reduced to S\$0.43 (previously S\$0.45).

Company Background

G.H.Y Culture & Media Holding Co. is an entertainment business that focuses on the production and promotion of dramas, films, and concerts in the Asia-Pacific region. The group has also undertaken the production of concerts for well-known international artistes.

GHY Culture & Media Holding

Interim Income Statement (\$m)

FY Dec	1H2021	2H2021	1H2022	% chg yoy	% chg hoh
Revenue	44	40	21	(52.9)	(47.8)
Cost of Goods Sold	(31)	(30)	(16)	(50.4)	(48.2)
Gross Profit	12	9	5	(59.3)	(46.7)
Other Oper. (Exp)/Inc	(5)	(8)	(6)	17.4	(24.4)
Operating Profit	7	1	(1)	(118.9)	(225.9)
Other Non Opg (Exp)/Inc	0	0	0	-	-
Associates & JV Inc	0	0	0	-	-
Net Interest (Exp)/Inc	0	(1)	(1)	-	-
Exceptional Gain/(Loss)	0	0	0	-	-
Pre-tax Profit	6	0	(2)	nm	nm
Tax	(3)	0	0	-	-
Minority Interest	0	0	0	-	-
Net Profit	3	0	(1)	nm	nm
Net profit bef Except.	3	0	(1)	nm	nm
EBITDA	7	1	(1)	nm	nm
Margins (%)					
Gross Margins	28.2	23.8	24.3		
Opg Profit Margins	15.8	2.6	(6.4)		
Net Profit Margins	7.9	1.1	(6.8)		

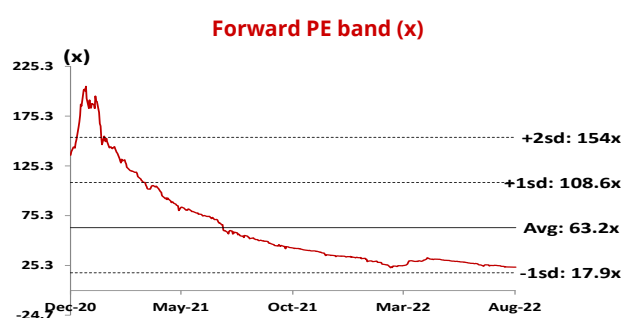
Source of all data: Company, DBS Bank

Sum-of-the-Parts Valuation

Segment	Valuation (\$m)	PE Peg (x)	Assumption
TV Program and Film Production	342.0	15	Peg to peers' average
Concert Production	85.8	20	UnUsUaL pre-COVID PE level
Costumes, Props and Make-up Services, Talent Management Services	28.5	15	Peg to peers' average
Total value	456.3		
Number of shares (m)	1070.1		
Value per share (\$)	0.43		

Source: DBS Bank, Bloomberg Finance L.P.

Historical PE and PB band



Source: Bloomberg Finance L.P., DBS Bank estimates



Source: Bloomberg Finance L.P., DBS Bank estimates

GHY Culture & Media Holding

Key Assumptions

FY Dec	2019A	2020A	2021A	2022F	2023F
Number of dramas	2.00	6.00	3.00	4.00	5.00
Number of films		3.00	3.00	0.0	0.0
Number of short video		5.00	1.00	10.0	20.0
Number of concert show	1.00	2.00	0.0	4.00	9.00

Segmental Breakdown

FY Dec	2019A	2020A	2021A	2022F	2023F
Revenues (\$m)					
TV Program and Film	60.7	109	75.7	91.2	115
Concert Production	1.26	14.8	0.0	11.6	22.0
Others	4.09	3.37	7.59	7.59	8.35
Total	66.0	127	83.3	110	146
Gross profit (\$m)					
TV Program and Film	0.0	45.3	20.4	25.7	34.7
Concert Production	0.0	7.84	(0.4)	5.64	8.00
Others	0.0	2.54	1.78	2.28	2.50
Total	0.0	55.7	21.8	33.6	45.2
Gross profit Margins					
TV Program and Film	0.0	41.6	26.9	28.1	30.1
Concert Production	0.0	53.0	N/A	48.6	36.4
Others	0.0	75.3	23.5	30.0	30.0
Total	0.0	43.8	26.1	30.4	31.1

Income Statement (\$m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Revenue	66.0	127	83.3	110	146
Cost of Goods Sold	(47.2)	(71.4)	(61.6)	(76.8)	(100)
Gross Profit	18.8	55.7	21.8	33.6	45.2
Other Opng (Exp)/Inc	(2.5)	(9.6)	(13.8)	(11.8)	(15.6)
Operating Profit	16.3	46.1	7.98	21.7	29.6
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	0.04	0.0	(0.3)	0.0	0.0
Net Interest (Exp)/Inc	(0.9)	0.0	(1.1)	0.0	0.0
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	15.4	46.1	6.64	21.7	29.6
Tax	(3.0)	(8.0)	(3.2)	(4.4)	(5.9)
Minority Interest	0.0	0.0	0.43	0.0	0.0
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	12.4	38.1	3.90	17.4	23.7
Net Profit before Except.	12.4	38.1	3.90	17.4	23.7
EBITDA	17.6	48.4	10.6	24.7	32.6
Growth					
Revenue Gth (%)	1,817.5	92.6	(34.4)	32.5	31.9
EBITDA Gth (%)	nm	174.5	(78.1)	132.2	32.0
Opg Profit Gth (%)	(3,282.0)	182.8	(82.7)	172.3	36.3
Net Profit Gth (Pre-ex) (%)	nm	206.1	(89.8)	345.7	36.3
Margins & Ratio					
Gross Margins (%)	28.5	43.8	26.1	30.4	31.1
Opg Profit Margin (%)	24.7	36.3	9.6	19.7	20.4
Net Profit Margin (%)	18.8	30.0	4.7	15.8	16.3
ROAE (%)	98.5	43.2	2.5	10.9	13.6
ROA (%)	16.1	22.0	1.8	7.9	9.6
ROCE (%)	58.8	38.5	1.7	9.9	12.4
Div Payout Ratio (%)	0.0	30.2	27.5	27.5	27.5
Net Interest Cover (x)	17.5	NM	7.6	NM	NM

Source: Company, DBS Bank

GHY Culture & Media Holding

Interim Income Statement (\$m)

FY Dec	1H2020	2H2020	1H2021	2H2021	1H2022
Revenue	37.2	89.9	43.8	39.5	20.6
Cost of Goods Sold	(17.6)	(53.8)	(31.5)	(30.1)	(15.6)
Gross Profit	19.6	36.1	12.3	9.42	5.02
Other Oper. (Exp)/Inc	(4.2)	(5.4)	(5.4)	(8.4)	(6.3)
Operating Profit	15.4	30.7	6.94	1.04	(1.3)
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	0.0	0.0	0.0	(0.3)	0.0
Net Interest (Exp)/Inc	(0.6)	0.61	(0.5)	(0.6)	(0.6)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	14.7	31.3	6.46	0.18	(2.0)
Tax	(1.7)	(6.3)	(3.0)	(0.1)	0.17
Minority Interest	0.0	0.0	0.05	0.38	0.37
Net Profit	13.0	25.1	3.48	0.42	(1.4)
Net profit bef Except.	13.0	25.1	3.48	0.42	(1.4)
EBITDA	15.4	30.7	6.94	0.75	(1.3)

Growth

Revenue Gth (%)	52.4	142.1	(51.3)	(9.7)	(47.8)
EBITDA Gth (%)	668.2	100.2	(77.4)	(89.2)	nm
Opg Profit Gth (%)	699.1	100.1	(77.4)	(85.0)	(225.9)
Net Profit Gth (%)	1,516.1	92.6	(86.1)	(87.9)	(435.2)

Margins

Gross Margins (%)	52.6	40.1	28.2	23.8	24.3
Opg Profit Margins (%)	41.3	34.2	15.8	2.6	(6.4)
Net Profit Margins (%)	35.0	27.9	7.9	1.1	(6.8)

Balance Sheet (\$m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Net Fixed Assets	3.67	3.90	5.35	4.21	3.07
Invt in Associates & JVs	0.42	0.0	0.0	0.0	0.0
Other LT Assets	4.35	9.16	14.0	14.0	14.0
Cash & ST Invt	17.4	112	38.7	61.0	69.3
Inventory	23.3	14.2	23.4	23.5	30.6
Debtors	44.2	27.5	48.1	50.0	66.0
Other Current Assets	19.7	66.1	79.8	79.8	79.8
Total Assets	113	233	209	233	263
ST Debt	6.08	7.13	14.4	14.4	14.4
Creditor	38.1	37.6	23.0	37.8	49.4
Other Current Liab	50.1	22.1	17.0	12.7	14.3
LT Debt	1.23	3.47	2.91	2.91	2.91
Other LT Liabilities	0.0	3.85	0.03	0.03	0.03
Shareholder's Equity	17.4	159	153	165	182
Minority Interests	0.0	0.0	(0.4)	(0.4)	(0.4)
Total Cap. & Liab.	113	233	209	233	263
Non-Cash Wkg. Capital	(1.1)	48.1	111	103	113
Net Cash/(Debt)	10.1	101	21.5	43.7	52.1
Debtors Turn (avg days)	122.6	102.9	165.4	162.2	145.5
Creditors Turn (avg days)	209.0	200.1	188.7	150.2	163.4
Inventory Turn (avg days)	180.6	99.2	117.0	115.7	101.4
Asset Turnover (x)	0.9	0.7	0.4	0.5	0.6
Current Ratio (x)	1.1	3.3	3.5	3.3	3.1
Quick Ratio (x)	0.7	2.1	1.6	1.7	1.7
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	39.3	11.2	12.7	10.4	10.4

Source: Company, DBS Bank

GHY Culture & Media Holding

Cash Flow Statement (\$m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Pre-Tax Profit	15.4	46.1	6.64	21.7	29.6
Dep. & Amort.	1.32	2.36	2.94	2.94	2.94
Tax Paid	(0.1)	(4.0)	(5.2)	(8.6)	(4.4)
Assoc. & JV Inc/(loss)	0.0	0.01	0.29	0.0	0.0
Chg in Wkg.Cap.	(30.0)	(39.2)	(61.8)	12.8	(11.6)
Other Operating CF	2.39	12.6	10.8	0.0	0.0
Net Operating CF	(11.0)	17.8	(46.3)	28.8	16.7
Capital Exp.(net)	(2.9)	(1.2)	(2.2)	(1.8)	(1.8)
Other Invt.(net)	0.0	0.0	0.0	0.0	0.0
Invt in Assoc. & JV	(0.4)	0.0	(2.0)	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	(0.2)	(0.5)	(3.2)	0.0	0.0
Net Investing CF	(3.5)	(1.7)	(7.4)	(1.8)	(1.8)
Div Paid	0.0	(5.0)	(16.5)	(4.8)	(6.5)
Chg in Gross Debt	3.86	2.00	4.73	0.0	0.0
Capital Issues	0.0	107	0.0	0.0	0.0
Other Financing CF	14.3	(26.1)	(7.7)	0.0	0.0
Net Financing CF	18.1	78.4	(19.5)	(4.8)	(6.5)
Currency Adjustments	0.0	0.0	0.01	0.0	0.0
Chg in Cash	3.59	94.6	(73.2)	22.3	8.35
Opg CFPS (\$ cts)	N/A	5.31	1.44	1.50	2.64
Free CFPS (\$ cts)	N/A	1.55	(4.5)	2.53	1.39

Source: Company, DBS Bank

Target Price & Ratings History



Note : Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	04 Mar 22	0.43	0.45	HOLD

Source: DBS Bank

Analyst: Lee Keng LING

DBS Bank recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

Completed Date: 19 Aug 2022 06:50:04 (SGT)

Dissemination Date: 19 Aug 2022 08:35:52 (SGT)

Sources for all charts and tables are DBS Bank unless otherwise specified.

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