# Cityneon in aggressive growth path following fresh S$235m funding from private investors

Firm, which delisted from SGX in 2019, is looking at relisting; chairman-CEO Ron Tan says he is 'market-neutral' on listing destination as long as it is a major stock exchange

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Cityneon's Ron Tan says: "Right now, I really want to make this into the world's largest experience entertainment provider. And in order to do that, we need to have access to capital. In order to become competitive... on the world stage, we will need to tap into public markets at some point." PHOTO: CITYNEON

Singapore

CITYNEON has obtained a S$235 million shot in the arm in its recently closed private fundraising round from existing investors such as Temasek's Pavilion Capital and EDBI, as well as new investors such as Seatown Holdings (also owned by Temasek), Qatar's Doha Venture Capital, and other financial institutions and family offices in Singapore and China.

The funds raised will tip the value of the global experience entertainment company, which delisted from the Singapore Exchange (SGX) in February 2019 at a market capitalisation of S$300 million or so, to more than S$1 billion.

"We're a unicorn," executive chairman and Group CEO Ron Tan joked, of the company that was founded in 1956. Proceeds will go towards building more intellectual property (IP) exhibition sets, as the group charts an aggressive growth path in 2021, taking advantage of captive domestic audiences by launching more exhibitions, including in nascent markets such as Japan, Brazil and Canada.

Last year was a "scary" and "worrying" year, Mr Tan said, especially in the months when countries were locked down and the group generated zero revenue.

But the recovery was also swift, he noted, with China's recovery beginning last year leading the region to contribute about 70 per cent of the group's total revenue in 2020, while visitors in Las Vegas have hit record highs in the past six weeks, as more people got vaccinated and con dence about public health safety improved.

Cityneon is launching its Jurassic World exhibition in Dallas, Texas this June and has seen strong forward bookings, too. Mr Tan expects the US to contribute more than two- fths of its revenue this and next year, given the tremendous activity there.

Currently, under its Hollywood IP partnership vertical, Cityneon's exhibition sets have gone to more than 50 cities around the world. With ve IPs under its belt (Avengers, Jurassic World, Hunger Games, Transformers and Avatar) and two more by year-end, it is the world's largest Hollywood IP partner, capturing more than 30 per cent of the market share.

Mr Tan has always emphasised the two criteria that IPs must meet before Cityneon will consider acquiring them: first, box-office takings need to be at least US$1 billion; second, the movie must have a sequel.

Cityneon is also building up its second vertical now, partnering governments to debut exhibitions of rare, original artefacts that focus on ancient civilisations for history buffs. This is its own IP and "needs patience and capital" to grow, he said.

It has a third vertical up its sleeves - immersive exhibitions related to the world of e-gaming, to appeal to the millennial crowd. His dream is that by the end of 2022, the group will have 10 million unique visitors per year - double its present numbers of close to five million visitors.

The group has also grown via acquisitions. In January 2020, it announced its acquisition of Animax Designs, a global firm which produces animatronic characters. This segment is hiring engineers now to enhance the technology behind its entertainment robotics that is so critical to its exhibitions.

Asked about his listing plans, Mr Tan replied that he prefers to focus on the business first and let the rest "take care of itself". "We have been approached. I mean, it's tempting because right now we are quite an interesting, sexy company. But we are market-neutral about Singapore, Hong Kong or the US, as long as it is a major stock exchange market. The board will have to come up with a collective decision where we want to go," he said.

But he also clarified categorically that: "I'm not the kind to leave SGX and seek an arbitrage and go to Hong Kong."

Some such as Osim International, Time Watch, Luye Pharma and Want Want have made such a geographical switch, while other dual-listed ones such as Alibaba Pictures Group, Fortune Reit and Genting Hong Kong have given up their secondary listing in Singapore to focus on their primary listing in Hong Kong.

Cityneon had delisted at its peak at S$1.30 per share, citing reasons such as the tensions of different expectations from different groups of shareholders. Mr Tan said that since then, management has value added to the business. "I hope that this company will one day be worth S$5 billion to S$7 billion, similar to the size at which Lego's founding family and Blackstone bought Merlin at (US$7.5 billion).

"Right now, I really want to make this into the world's largest experience entertainment provider. And in order to do that, we need to have access to capital. In order to become competitive and noticeable on the world stage, we will need to tap into public markets at some point."

The Edge, in a February article, cited from a term sheet it has seen, that Cityneon's FY20 revenue was about US$79 million, Ebitda was US$26 million, while net profit was just US$1 million.

However, a big jump is expected for FY21, with forecast revenue surging to US$215 million; Ebitda to US$88 million, and net income to about US$45 million.

The term sheet also said that Cityneon's pre-financing valuation was S$850 million, translating to S$3.03 per share. It has plans for an initial public offering no later than the second quarter of 2023, at a valuation of at least S$1.32 billion.

Such ambitions are also reflected in its plans to build more travelling and semi-permanent sets, and targets to launch six experiences in China and five in the US by the end of 2021. This year, it also plans to reopen experiences that were temporarily closed in 2020, such as in Toronto, Canada, and Seoul, Korea.

The size of its exhibitions at about 20,000 to 30,000 square feet work in its favour for practising safe distancing as the pandemic persists in some countries. Meanwhile, consumers restless from not being to travel seem to be flocking to these experiences for entertainment. "People are starting to co-exist with Covid-19," Mr Tan said.

Mr Tan, along with veteran Hong Kong entrepreneur Johnson Ko, remain the largest shareholders of the company after the fundraising exercise. They were the ones that took the company private by their vehicle, West Knighton, in 2019.

Singapore has long been too small a market without the critical mass its exhibitions need to do well, but Mr Tan added that he has plans to bring in "a big IP" next year as a showcase to Singaporeans. "But also to show my mother what I do," he added.