



Cityneon riding high on marvellous transformation

But keeping the party going with a third franchise will hinge on expanding the pool of creative talent

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EXCLUSIVE deals with the popular *Avengers* and *Transformers* movie franchises have propelled Cityneon Holdings to become one of the best performing Singapore stocks this year, but keeping the party going with a third franchise will hinge on whether the company can expand its pool of creative talent, according to executive director Ron Tan.

"The third intellectual property (IP), if it happens, is more an issue of our bandwidth," Mr Tan told *The Business Times* in an interview. "Internally right now I have the breadth of the company, but I don't have enough depth. I need to build the depth of the company enough so that I don't overstrain the company and the resources. But we're constantly looking for growth."

Cityneon's share price has more

than doubled this year, from 32.5 Singapore cents at the end of 2015 to 81.5 Singapore cents at Friday's close. DBS initiated coverage on the stock with a "buy" call in May and a target price of S\$1.03. UOB Kay Hian is also recommending that investors "buy" the stock, with a target price of 85 Singapore cents.

Fuelling that spectacular rise was the 2015 acquisition by Cityneon, which has been a provider of neon lighting, of Victory Hill Exhibitions. The acquisition brought Mr Tan into the company as a substantial shareholder and board member. But just as important, it added Victory Hill's deals with two of the world's most popular movie franchises.

Victory Hill, now part of Cityneon, specialises in standalone interactive exhibitions. For example, on the *Avengers* sets visitors take on the role of recruits who help to save the world.

They will be presented with chal-

lenges and play out their roles on sets based on the fictional world in the superhero movies. Visitors have to pay an entrance fee, and will have the option of spending more at obligatory gift shops and photograph stations.

With a reputation remaining true to a movie's branding, the company has clinched exclusive contracts to develop such exhibitions for Marvel's *Avengers* and Hasbro's *Transformers*. Cityneon will have two permanent sets in Las Vegas, and will build several more travelling sets to be set up in cities around the world. There is currently one *Avengers* set in Paris, and plans have already been announced for sets in Australia and China. DBS analyst Ling Leng Kee estimates that Cityneon could have six sets in total by the end of 2017 and eight sets by 2018.

The business is now in a relatively sweet spot, where some of the hardest work has been done. The task of clinching franchises is out of the way. The most demanding part of the set development process, which is at the start, is over. A recent placement also raised S\$11 million, and Mr Tan said

he does not expect to have to raise additional capital for now.

What is left is to reap the seeds that have been sowed. That means pushing out exhibitions around the world for current brands.

"The first one was very, very difficult, but I think we have proven ourselves," Mr Tan said.

The reaping is not without risks. The partners that will do the heavy lifting for the travelling sets may have a change of heart or deliver poor quality. The business also needs its only two movie brands to remain popular for the next several years.

"The big risk is whether the IP, Marvel for example, will be popular in the next 10 years, 15 years. We're only as good as our partners, which are the movie studios. . . and there's the execution risk," Mr Tan said.

Mr Tan is therefore selective about which movie franchises he will pursue if the company goes after its third brand. An eligible movie franchise must have made more than US\$1 billion in the box office to ensure sufficient consumer interest, and there must be sequels to ensure sustainabil-

ity.

Mr Tan and his core creative team are also extremely picky about the design of their sets. When asked about his checklist of requirements, Mr Tan said the exhibits must be true to the underlying brand, be fun, be visually compelling and provide an immersive experience.

Being able to generate quality content helps to win new business and to keep copycats at bay, Mr Tan explained. That is why he is careful about expanding too fast without having the creative capacity to manage another brand.

There remains the question of Cityneon's old business, which has now taken a back seat.

Mr Tan said that it was business as usual on that front, but the bulk of the company's attention is now on its exhibitions business, and all options are open.

"We're building up our resources. But for now we already have two of the world's largest franchises, arguably. . . So let's scale this up first," he said.