

Strawbear Entertainment (2125 HK)

Moderate growth with focus on IP drama

We forecast topline/bottom line will be flat YoY in FY22E (back-end loaded), to reflect conservative launches of drama series amid weak market sentiment. Given regulatory environment and platform strategy adjustment, Strawbear would focus on high-quality titles and turn more selective in content production. In 1H22, the launch of The Bachelors, a self-produced drama, supported its topline momentum. We expect revenue to recover in 2H22 and FY23E, attributable to its solid pipeline. We maintain BUY with lower TP of HK\$3.74 (10.0x FY23E P/E).

- **Moderate growth in FY22E.** Given regulatory environment and platform strategy adjustment, Strawbear would focus on high-quality titles and turn more selective in content production. We forecast FY22E topline +0.1% YoY, at RMB1,704mn (back-end loaded), as the company remains conservative on launches of new titles amid weak market sentiment. We expect adj. net profit to reach RMB195mn (+0.4% YoY) in FY22E, backed by effective opex control.
- **Solid pipeline ahead.** In 1H22, the launch of The Bachelors (追爱家族), a self-produced drama, supported its topline momentum. We expect revenue to recover in 2H22 and FY23E, attributable to its solid pipeline, including Our Destiny in Self-redemption (浮图缘), Flying to the moon (月歌行), My Girlfriend is the Antidote (我的女友是解药), legend of Bikini (乘风破浪), Cat & Thief (斗贼), Never Too Late (我的助理六十岁), Welcome (请君), Never Give Up (今日宜加油), Summer Flower (夏花), and You are Desire (白日梦我). In the long run, Strawbear would explore more cooperation opportunities in IP-driven drama series.
- **Diversifying online channels.** We expect its online channel concentration to decrease, backed by deeper cooperation with diversified platforms. For example, Strawbear cooperated with Tencent in major titles such as The Bachelors (追爱家族). It also explored opportunities with Mango TV and Migu.
- **Maintain BUY.** We forecast FY22E topline +0.1% YoY, with adj. net profit +0.4% YoY, to reflect conservative title releases in FY22E. Maintain BUY with TP of HK\$3.74 (10.0x FY23E P/E).

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY 24E
Revenue (RMB mn)	952	1,703	1,705	2,020	2,400
YoY growth (%)	24.5	78.8	0.1	18.5	18.8
Adj. net income (RMB mn)	131	194	195	231	276
Adj. EPS (RMB)	0.33	0.28	0.28	0.33	0.4
YoY growth (%)	100.1	-13.8	-0.6	17.6	18.1
Consensus EPS (RMB)	NA	NA	NA	NA	NA
P/E (x)	8.1	8.2	6.9	5.9	5.0
P/S (x)	0.9	0.9	0.8	0.7	0.6
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	62.5	10.8	9.8	10.4	11.1
Net gearing (%)	28.3	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price HK\$3.74
(Previous TP) HK\$17.0
Up/Downside +32%
Current Price HK\$2.84

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Stock Data

Mkt Cap (HK\$ mn)	1,978
Avg 3 mths t/o (HK\$ mn)	2.48
52w High/Low (HK\$)	8.66/ 2.14
Total Issued Shares (mn)	697

Source: Bloomberg

Shareholding Structure

Leading Glory	41.70%
Taurus Holding	13.97%
Gleason Global	10.57%

Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	-8.8%	-16.6%
3-mth	-33.4%	-37.2%
6-mth	30.8%	45.0%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Ernst & Young

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Figure 1: Revenue breakdown

	2020	2021	2022E	2023E	2024E	2025E
REVENUE (RMB mn)	952	1,703	1,705	2,020	2,400	2,834
Revenues from contracts with customers	948	1,703	1,705	2,020	2,400	2,834
Licensing of the broadcasting rights of drama series	625	1,107	1,108	1,313	1,560	1,842
Made-to-order drama series production	280	540	541	641	761	899
Others	42	56	56	66	78	93
Revenue from other sources	5	0	0	0	0	0

Source: Company data, CMBIGM estimates

Figure 2: Earnings revision

RMB mn, Dec-YE	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	1,705	2,020	2,400	1,594	1,904	2,278	6.9%	6.1%	5.3%
Gross profit	477	566	672	435	519	622	9.7%	8.9%	8.1%
Operating profit	268	321	386	276	333	403	-2.9%	-3.5%	-4.1%
Adj. net profit	195	231	276	231	277	332	-15.7%	-16.3%	-16.9%
EPS (RMB)	0.28	0.33	0.39	0.33	0.39	0.47	-15.7%	-16.3%	-16.9%
Gross margin	28.0%	28.0%	28.0%	27.3%	27.3%	27.3%	+0.7ppts	+0.7ppts	+0.7ppts
Operating margin	15.7%	15.9%	16.1%	17.3%	17.5%	17.7%	-1.6ppts	-1.6ppts	-1.6ppts
Net margin	11.4%	11.5%	11.5%	14.5%	14.5%	14.6%	-3.1ppts	-3.1ppts	-3.1ppts

Source: Company data, CMBIGM estimates

Figure 3: Peers valuation

Company	Ticker	Mkt cap	Currency	Price	CMBI	CMBI	P/E(x)			P/S(x)			EV/EBITDA(x)			22-24E EPS CAGR
							FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	
Strawbear	2125 HK	252	HKD	3	BUY	3.74	7.8	6.7	5.6	0.9	0.8	0.6	NA	NA	NA	NA
Film & Drama																
Enlight Media	300251 C	3,901	CNY	9	NA	NA	56.7	49.7	36.0	20.6	17.8	13.7	60.2	40.9	31.2	28%
Wanda Film	002739 C	4,199	CNY	13	NA	NA	84.0	88.7	23.6	2.3	2.3	1.8	20.5	15.6	11.1	118%
China Film	600977 C	3,001	CNY	11	NA	NA	NA	60.8	49.4	6.8	3.8	3.5	NA	16.8	11.9	52%
Zhejiang Huace	300133 C	1,261	CNY	4	NA	NA	17.2	17.3	18.3	2.3	1.8	2.0	10.4	7.9	9.9	15%
Huayi Brothers	300027 C	1,053	CNY	3	NA	NA	NA	94.1	NA	4.2	3.8	6.3	31.4	NA	241.2	NA
Hengdian Ent	603103 C	1,059	CNY	11	NA	NA	NA	82.8	31.5	6.5	3.0	2.9	NA	17.2	11.3	39%
Ali Pictures	1060 HK	2,646	HKD	1	NA	NA	131.3	43.8	32.8	6.8	4.7	4.0	898.5	36.4	20.2	22%
Maoyan Ent	1896 HK	998	HKD	7	NA	NA	NA	11.3	11.6	5.1	2.0	1.9	NA	6.4	6.4	24%
Cathay Edu	1981 HK	249	HKD	1	NA	NA	5.7	4.0	4.8	2.1	1.5	2.1	2.5	2.0	2.2	2%
HKTV	1137 HK	796	HKD	7	NA	NA	24.0	59.0	150.7	2.1	1.9	1.6	15.3	23.3	30.7	158%
Average							53.2	51.1	39.8	5.9	4.3	4.0	148.4	18.5	37.6	51%
Internet Giants																
Tencent	700 HK	485,415	HKD	396	BUY	735	26.0	25.5	27.4	6.8	5.8	5.5	18.4	19.2	19.3	20%
Alibaba	BABA US	297,929	USD	110	BUY	314	11.2	15.6	15.0	2.8	2.3	2.1	8.0	10.8	10.2	18%
Disney	DIS US	188,159	USD	103	NA	NA	68.3	41.5	26.9	2.9	2.8	2.2	25.5	23.8	16.2	31%
Netflix	NFLX US	85,643	USD	193	NA	NA	28.7	17.4	17.3	3.4	2.9	2.6	18.6	14.0	13.3	15%
Average							33.6	25.0	21.7	4.0	3.4	3.1	17.6	17.0	14.8	21%
VAS & Subscribers																
iQiyi	IQ US	3,910	USD	5	BUY	30	NA	NA	NA	0.9	0.9	0.9	NA	NA	18.0	NA
Bilibili	BILI US	9,890	USD	25	BUY	173	NA	NA	NA	5.6	3.4	2.8	NA	NA	NA	-54%
TME	TME US	7,543	USD	4	NA	NA	10.1	12.1	15.8	1.7	1.6	1.8	6.1	7.5	9.4	16%
Mango TV	300413 C	10,135	CNY	36	NA	NA	34.8	29.6	27.5	4.5	4.1	3.9	10.7	8.1	7.8	16%
China Literature	772 HK	4,857	HKD	37	NA	NA	NA	23.5	23.7	4.0	3.5	3.4	NA	15.9	16.6	19%
Average							22.4	21.7	22.3	3.4	2.7	2.6	8.4	10.5	13.0	-1%
Total Average							38.9	38.0	30.5	4.6	3.5	3.3	86.6	16.6	27.1	32%

Source: Company data, CMBIGM estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY20A	FY21E	FY22E	FY23E	FY24E
Net revenues	952	1,703	1,705	2,020	2,400
Broadcasting rights	625	1,107	1,108	1,313	1,560
MtO	280	540	541	641	761
Others	47	56	56	66	78
COGS	(693)	(1,187)	(1,228)	(1,455)	(1,728)
Gross profit	260	516	477	566	672
Selling exp	(81)	(227)	(162)	(190)	(223)
Admin exp	(61)	(57)	(48)	(55)	(62)
Operating profit	118	232	268	321	386
Other income, net	(62)	22	4	3	3
Pre-tax Income	48	246	272	325	389
Income tax	(30)	(77)	(85)	(101)	(121)
Net profit	18	169	187	223	268
Adj. net profit	131	194	195	231	276

Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Net income	18	169	187	223	(121)
D&A	34	7	9	10	11
Change in WC	(123)	(828)	1,353	(1,263)	1,346
Others	84	52	12	43	399
Operating CF	13	(599)	1,561	(987)	1,635
Capex	(3)	(2)	(14)	(14)	(14)
Others	26	(94)	10	11	11
Investing CF	23	(95)	(3)	(3)	(3)
Net borrowings	24	153	14	15	15
IPO proceeds	(2)	(3)	-	-	-
Others	(14)	752	(23)	(24)	(25)
Financing CF	7	902	(9)	(10)	(10)
Net change in cash	43	207	1,549	(999)	1,622
Cash (beg of yr)	52	96	303	1,852	853

Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	196	151	173	176	178
PP&E	9	3	8	8	7
Right-of-use assets	8	8	21	26	31
Intangible assets	26	15	25	23	21
Others	153	126	120	120	120
Current assets	1,664	2,690	3,105	3,550	4,131
Cash & CE	96	303	1,852	853	2,475
Accounts/notes receivables	441	803	263	962	450
Inventories	856	1,100	537	1,281	752
Other current asset	271	484	454	454	454
Current liabilities	1,146	1,057	1,567	1,781	2,087
Accounts payables	238	257	389	397	537
Other payables and accruals	588	455	818	1,010	1,160
Short-term loan	159	278	292	307	322
Others	161	67	67	67	67
Non-current liabilities	489	10	10	10	10
Financial Liabilities at fair value through profit or loss	475	-	-	-	-
Deferred tax liability	9	7	7	7	7
Long-term operating lease liabilities	5	4	4	4	4
MI	1	(0)	0	0	1
Total equity	225	1,790	1,985	2,217	2,493
Shareholders' equity	224	1,790	1,985	2,216	2,492

Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Sales mix (%)					
Broadcasting rights	65.6	65.0	65.0	65.0	65.0
MtO	29.4	31.7	31.7	31.7	31.7
Others	4.9	3.3	3.3	3.3	3.3
Total	100.0	100.0	100.0	100.0	100.0
Growth rate (%)					
Revenue	24.5	78.8	0.1	18.5	18.8
Gross profit	141.4	98.7	(7.5)	18.5	18.8
EBIT	108.6	97.1	15.3	20.0	20.3
Adj. net profit	100.1	48.3	0.4	18.8	19.3
P&L ratios (%)					
Operating margin	12.4	13.6	15.7	15.9	16.1
Pre-tax margin	5.1	14.5	16.0	16.1	16.2
Adj. net margin	13.7	11.4	11.4	11.5	11.5
Effective tax rate	(62.4)	(31.2)	(31.2)	(31.2)	(31.2)
Returns (%)					
ROE	62.5	10.8	9.8	10.4	11.1
ROA	7.0	6.8	5.9	6.2	6.4
Per share					
EPS (RMB)	0.3	0.3	0.3	0.3	0.4
DPS (RMB)	0.0	0.0	0.0	0.0	1.0
BVPS (RMB)	0.6	2.6	2.9	3.2	3.5

Source: Company data, CMBIGM estimates

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