

Entertaining the masses

Key figures from Spackman IPO

Placement price	S\$0.26
No of shares issued	50,000,000 new shares and 19,440,000 vendor shares
Total no of shares post-placement	395,310,000
EBITDA FY2013	US\$3,453,000
Earnings per share*	S\$0.98
Price-earnings ratio*	26.53 times
Gross proceeds	S\$13,000,000
Net proceeds	S\$10,837,000

* Using net profit for FY2013 and pre-Placement share capital of 344,540,000 shares

Source: Spackman Entertainment Group Limited

Korea's Spackman Entertainment launches Catalyst IPO

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SINGAPORE Exchange looks set to have the first listing of a Korean entertainment company.

Spackman Entertainment Group Limited (SEGL), one of Korea's leading theatrical film production groups, yesterday launched its initial public offering (IPO) for a Catalyst listing.

It is offering 69.44 million placement shares - 50 million new and 19.44 million vendor shares - at 26 cents each. The offer closes on July 18 and trading is expected to begin on July 22.

The company chose to list in Singapore as it believes investors here will be receptive to the South Korean entertainment market. SEGL is primarily involved in producing films - script-sourc-

ing, filming and editing. These are paid for by film investors. Film investors share profits with the production company, but have to bear all the losses. A production company suffers no loss if a film is unprofitable.

SEGL owns two prominent production companies, Zip Cinema and Opus Pictures. They have been involved in films such as *Cold Eyes* and *Snowpiercer*. These titles were among the top 10 grossing films in South Korea in 2013, according to Box Office Mojo, a website which tracks box office revenue.

SEGL also invests in films, and typically holds stakes of 15 to 30 per cent in the films it produces. This increases earnings from successful productions, but comes with the risk of losses for underperforming films.

A key risk in the film industry is the volatile revenues. It is difficult to predict the popularity of a film. Production work mitigates some of this risk and is thus crucial to SEGL's business model.

The firm reported 2013 revenue of US\$11.9 million, up from US\$4.4 million in 2012. It reported net profit of US\$2.7 million, from a US\$0.3 million loss in 2012.

Charles Spackman, executive chairman of SEGL, believes the company can continue to thrive. Actors are willing to accept lower rates in exchange for the opportunity to work with famed producers Eugene Lee and Tae Hun Lee at Zip Cinema and Opus Pictures respectively, he said.

The reliance on these two producers is another risk the company cited in its offer document. Mr Spackman, however, believes they are personally invested in the companies, making any departure unlikely.

Out of the expected net proceeds of about \$10.84 million, \$5.5 million is earmarked for investment in films by Spackman or third-party producers, and the remaining for expansion, establishment of overseas offices, and working capital.