

COVER
STORY

Spackman shares rally as new movie kicks off cycle of international releases

BY BENNY TAN |

A fast-paced car chase, a chilling exorcism and a handsome and rebellious young assistant — the trailer for the South Korean flick *The Priests* has little to mark it as a likely hit beyond the somewhat formulaic elements. Yet, the film came out tops at the Korean box office on its debut on Nov 5; it raked in gross box office revenues of KRW1.4 billion (\$1.69 million) or a market share of 59.7%. By Nov 14, the 10th day of its release, it had registered over 3.5 million in ticket admissions and revenues of over KRW27.7 billion. It set a Korean box office record for the fastest movie to reach three million tickets for the month of November.

The Priests' success has exceeded even the expectations of Charles Spackman, executive chairman and founder of Spackman Entertainment Group, which produced the movie.

"When I saw the trailer, it didn't look very good," Spackman tells *The Edge Singapore* in a recent interview. It follows the story of a young girl who is in a coma after a hit-and-run accident. Father Kim (played by veteran actor Kim Yun-seok) believes she is possessed by an evil spirit, and seminarian Choi (played by local heartthrob Gang Dong-won) gets involved in the case as his assistant. "But it is a great movie. You've got to watch it," Spackman adds.

That may prove difficult to do as the movie has not been released here. But it has done so well that Spackman Entertainment intends to take it to several markets outside Korea, including the US, Canada, Japan, Taiwan and the Philippines. What could an international release mean for investors in Catalyst-listed Spackman Entertainment? Already, *The Priests* is expected to be an important contributor to the group's earnings. The break-even point for the film, made at a cost of KRW7 billion, is two million tickets. As at Nov 23, it had exceeded 4.5 million in ticket admissions.

Could investors now be expecting an extraordinary showing for the company? Since Nov 5, shares in Spackman Entertainment have surged some 92% to close at 16.1 cents on Dec 2. That gives it a market cap of \$64.2 million. On Nov 19, Spackman Entertainment was also flagged as a Stock with Momentum by www.theedgemarkets.com. An average of 58.3 million shares of the stock changed hands daily in November, versus 17.9 million in October.

Rough start

A revenue boost is just what shares in Spackman Entertainment need. The company was listed in July last year at 26 cents a share, which means IPO investors are currently below water. "The release of our new slate of films, post-IPO, has seen much delay since our last movie owing to unforeseen external factors such as the Middle East respiratory syndrome outbreak in Korea. The prolonged period of time since our last release has taken a toll on the performance of our company," says Spackman.

For 3QFY2015, the company posted a 21% y-o-y drop in revenue to US\$2.87 million (\$4.04 million) as there were no films under production. It posted a loss of US\$1.04 million for the quarter, although that figure is an improvement from the loss of US\$5.04 million in 3QFY2014.

However, Spackman says *The Priests* kicks off a fresh cycle of film releases. Spackman Entertainment owns three motion picture production and financing subsidiaries: Zip Cinema Co, Opus Pictures and Novus Mediacorp Co. The company says its units are among the most

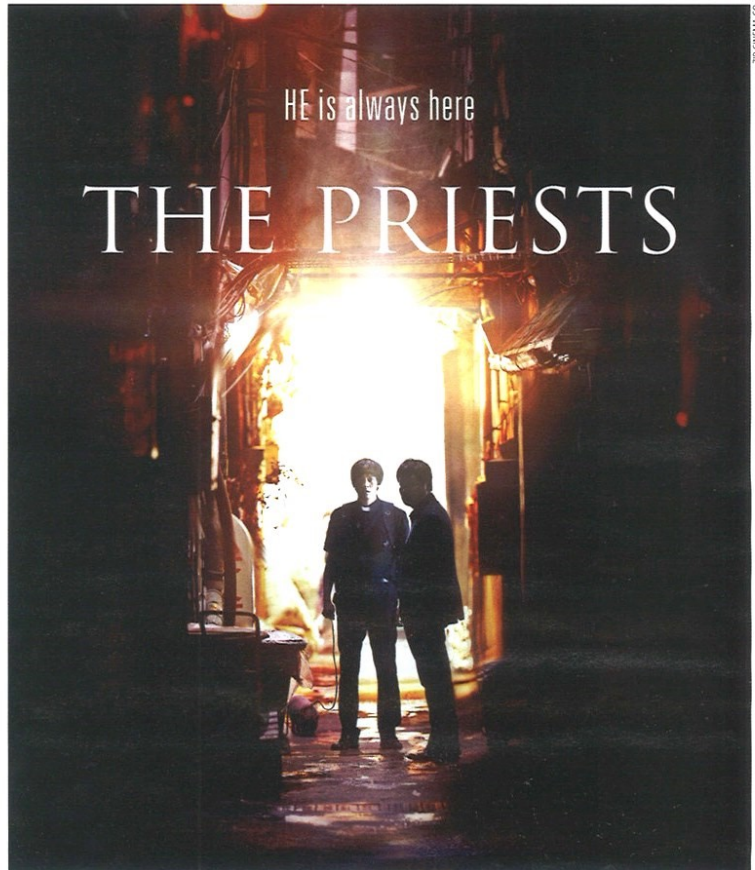
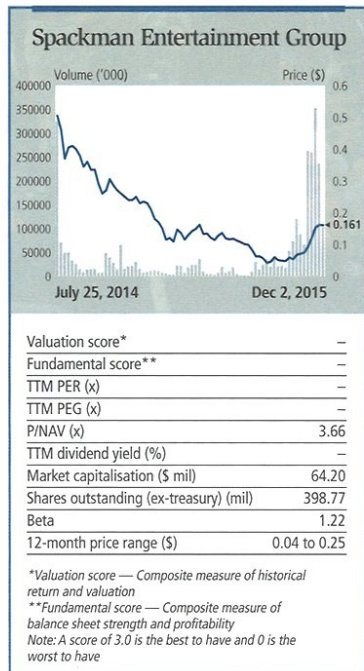


Spackman: We try to get people to realise that the value of this company is really in the positioning that we have in the market in Korea

recognised film production labels in Korea. *The Priests* was produced by Zip Cinema Co and presented by Opus Pictures.

Two upcoming movies, *Chasing and Musudan*, presented and distributed by Opus Pictures, are expected to be released in Korean theatres by 1Q2016. The former is an action comedy, while the latter is a mystery thriller. On Sept 5, Spackman Entertainment commenced filming *Life Risking Romance*. Co-presented and co-produced by Novus Mediacorp and co-presented and distributed by Opus Pictures, the romance thriller is expected to be released in theatres in 1H2016. With a multinational cast, this movie is targeting not just the domestic Korean market, but also an Asia-wide audience, particularly in Greater China.

Spackman Entertainment typically gets a share of a movie's profits as both an investor and a producer. This is on top of a fixed fee for each film it produces. For acting as a presenter, it collects administrative fees. Producers supervise the making of a film, while presenters are responsible for raising financing that is not covered by the producer, entering into



agreements with distributors, administering expenses and distributing profits. If it also acts as distributor, Spackman Entertainment can earn distribution fees. Distribution can cover cinemas as well as ancillary markets such as home video and pay TV.

From next year, the company says it hopes to produce at least four films annually. It also intends to expand its portfolio of film production brands through mergers and acquisitions, and enlarge its presence internationally through partnerships, joint ventures and strategic alliances in overseas markets.

In July, for instance, it entered into a business partnership agreement with **National Arts Entertainment and Culture Group** to jointly collaborate in the production of Chinese and Korean films for both markets, as well as English films for the global market. NAE is a Hong Kong-listed company engaged in film production and distribution, artiste management, and the operation of a film studio and hotels.

"With this partnership, both parties will be able to leverage on each other's expertise in our domestic markets. We envisage that this partnership will bring more opportunities for the group to further grow and establish its presence in the Chinese market," says Spackman.

New listing ahead

On top of its film business, Spackman Entertainment also invests in entertainment companies and film funds that can complement its core operations. To this end, it owns UAA Korea Co, one of the leading talent management agencies in Korea. It produces documentary programmes for broadcast and cable TV through its subsidiary Film Auteur Co. It owns a photography studio called noon pictures Co,

and operates a café-lounge, Upper West, in the Gangnam district of Seoul.

The company also has a 45.8%-owned associated company named Spackman Media Group. The latter owns a 99% interest in Delmedia Co, a leading variety show and unscripted entertainment programme production company, as well as a 51% majority stake in Breakfastfilm Co, a media company that specialises in the production of commercials and K-pop music videos in Korea.

Spackman Entertainment is currently looking to list Spackman Media on the Hong Kong Stock Exchange to unlock value for shareholders. KGI Capital Asia was appointed in August to act as the sole global coordinator, sole sponsor, book runner and lead manager for the proposed listing.

A successful listing of Spackman Media could be another catalyst for the stock next year. But investor sentiment in the region is not currently at its best and the company recently reported a loss for 3QFY2015.

For now, investors will need to count on Spackman Entertainment's planned releases for 2016 doing just as well as *The Priests*. Spackman says the movie's success could be because of its novel plot, positive reviews, the skills of chief producer Eugene Lee, as well as the reunion of its star actors Gang and Kim, who are collaborating again after six years. "Lee, who is CEO of Zip Cinema Co, is probably the most well-known producer in Korea now, especially with *The Priests*. She has made profits in the last seven films produced.

"We try to get people to realise that the value of this company is really in the positioning that we have in the market in Korea," Spackman adds. "In terms of production, we are probably second to none in Korea." ■