

# Thunderbird Entertainment Inc. Media

Rating  
**BUY**

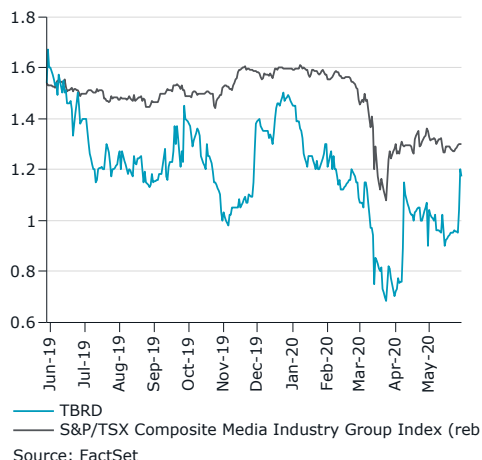
Price Target  
**C\$2.50**

TBRD-TSX

Price  
**C\$1.17**

## Market Data

52-Week Range (C\$) :	0.66 - 1.68
Avg Daily Vol (000s) :	36.68
Shares Out. (M) :	46.7
Market Cap (C\$M) :	54.6
Dividend /Shr (C\$) :	0.00
Dividend Yield (%) :	0.0



Priced as of close of business 28 May 2020

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## Strong Q3 with 40% revenue growth

**Thunderbird released its Q3/F20 last night; conference call to be held on Monday:** TBRD reported Q3/20 with revenues coming in at \$29.3M, up 40% y/y and ahead of our estimate of \$27.2M. Adj EBITDA was \$6.9M, up from \$4.7M the prior year and comfortably ahead of our \$6.5M estimate. Note, Q3 is generally TBRD's biggest quarter seasonally, hence we see a beat as quite meaningful. The revenue and EBITDA beat was led by a substantial increase in production service work, as well as robust growth in distribution revenues. Meanwhile, EPS was \$0.07, vs \$0.04 the prior year, and in line with our \$0.07 estimate. Importantly, FCF (management definition) came in at \$4.5M, vs -\$1.5M the prior year, stronger than our \$4.1M estimate. Note that the company has adopted IFRS 16 starting F20, which provides a moderate tailwind to EBITDA.

The company's net cash position stood at \$12.2M as of Q3/20.

**Solid production revenue growth supported by distribution:** Total revenue growth of 40% y/y was driven by production services, which rose 60% to \$12.5M in Q3. This was ahead of our \$11.7M. The solid growth here was led predominantly by the animation division. Distribution revenues were also up 28% y/y to \$16.8M, vs our \$15.4M estimate. This was helped by steep growth in factual, on account of three shows being delivered vs two last year.

**Managing through COVID-19:** TBRD appears to have managed quite well through the current crisis, with seemingly very little disruption to operations, with work continuing on all productions under development. Management has also indicated that its ability to transition quickly afforded the company the opportunity to take advantage of additional projects arising from the fact that platforms (SVOD and Linear) were looking to fill in for cancelled or stalled productions. Importantly, it appears that even the factual division has been able to continue with certain productions through new filming techniques. Importantly, *Highway Thru Hell* has already completed principal photography for its full season nine, which should start to air in the fall.

**A solid pipeline of new children's content.** Despite the variance to our expectations in H1, we believe the Q3 result highlights the underlying funnel of production opportunities for TBRD, particularly in the kids segment. Management highlighted that through Q3 the company was in production for 20 shows commissioned by Netflix, NBCUniversal, PBS, WGBH, Corus, CBC etc., of which 14 were animated. Notably, the company currently has three shows with Netflix: *Last kids on Earth* (season II launched April 17), *Hello Ninja* (season II streamed April 24), and the upcoming *Mighty Express*.

**Content-related highlights:** One of the company's key IP-owned series, *Last kids on Earth*, is expected to launch a video game inspired by the series in 2021. Merchandising initiatives on the title are already well underway, with initial categories launched in early 2020.

**Conference call on Monday:** The company will hold its Q3 conference call on June 1, 2020, at 2pm ET. We will review our estimates post the conference call.

**Valuation:** We continue to value the stock using 8x EV/EBITDA (2021E).

## Appendix: Important Disclosures

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### Investment Recommendation

Date and time of first dissemination: May 29, 2020, 08:23 ET

Date and time of production: May 29, 2020, 08:23 ET

### Target Price / Valuation Methodology:

Thunderbird Entertainment Inc. - TBRD

We value Thunderbird using 8.0x 2021E EV/EBITDA, generally in line with the comps

### Risks to achieving Target Price / Valuation:

Thunderbird Entertainment Inc. - TBRD

Thunderbird is impacted directly by the trends in the content industry. If viewership trends move away from the content produced by TBRD, this could negatively impact revenue. Similarly, if competition in the space heats up with more content producers entering the space, this could reduce the rate at which the company could sell its TV series. Lastly, because Thunderbird is a relatively new company, a substantial miss on the financials could cause a breakdown in the shares.

### Distribution of Ratings:

#### Global Stock Ratings (as of 05/29/20)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	501	59.50%	53.89%
Hold	193	22.92%	39.38%
Sell	20	2.38%	35.00%
Speculative Buy	128	15.20%	71.88%
	842*	100.0%	

\*Total includes stocks that are Under Review

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**Thunderbird Entertainment Inc. Rating History as of 05/28/2020**



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