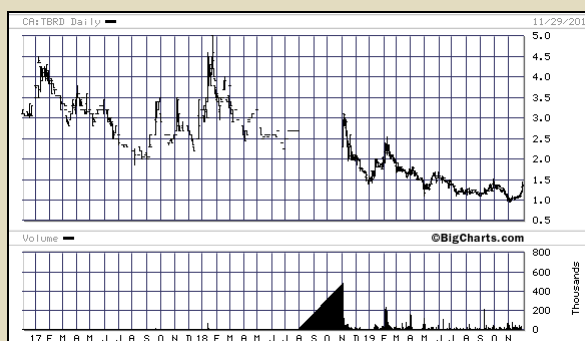


Recommendation: Buy
Target Price: \$2.25

Thunderbird Entertainment Group Inc. (TBRD-TSXV) Q1/F20 – In-Line Quarter With Some Positive Commentary On Merchandise Launch

Curr. Price	\$1.38	Shares Outstanding (MM)	
52 Wk High	\$2.53	Basic	46.6
52 Wk Low	\$0.96	Diluted	48.3
Cash (MM)*	\$15.1	Mngt. & Dir.	23.5
Total Debt (MM)*	\$2.5	Market Cap.	64
BVPS	\$1.12	Float	32
Price/Book	1.2x	EV*	51
Dividend	\$0.00		
Dividend Yield	0.0%	* Denotes F2020E	

FY June.	2018A	2019A	2020E	2021E
Revenue (MM)	\$142.4	\$61.5	\$70.1	\$80.6
EBITDA (MM)	\$10.1	\$10.3	\$11.2	\$14.4
Dil. EPS (ops)	\$0.10	\$0.08	\$0.09	\$0.15
EBITDA y/y chg		1.8%	8.7%	29.0%
EPS y/y chg		N/A	N/A	70.0%
EV/EBITDA			4.5x	3.5x
P/E			16.0x	9.4x



Source: BigCharts.com, November 29, 2019

Unless otherwise denoted, all figures shown in C\$

Event:

Thunderbird reported its Q1/F20 results, which were largely in line with our estimates.

Impact:

Neutral.

Commentary:

TBRD reported consolidated revenue of \$17.0 MM, up 19%, adj. EBITDA of \$3.0 MM, down 28% and EPS (ops) of \$0.019 vs \$0.035 in Q1/F19. We were looking for consolidated revenue of \$16.1 MM, adj. EBITDA of \$2.8 MM and EPS (ops) of \$0.028. The top-line growth is largely attributable to growth in production service revenues. Production service revenues increased 61% in animation and 100% in factual during the quarter. Distribution revenue was down 16% Y/Y largely due to a tougher comp and the disconnect between the delivery of episodes and revenue recognition. Adj. EBITDA decline is primarily due to higher direct costs which were partially offset by the positive impact of IFRS 16 adoption. Furthermore, the EBITDA margins decline is mainly attributable to the shift in revenue mix, as distribution revenue which typically has higher margins than production service revenue represented only 39% of the consolidated revenues.

Management highlighted that it delivered its largest ever fall lineup with eight productions premiering across some of the leading platforms such as Netflix, NBCUniversal, Nickelodeon, ♦Corus Entertainment and CBC. Furthermore, TBRD's IP-owned series, *The Last Kids on Earth* commenced streaming on Netflix in September. More importantly, the company also highlighted that a video game inspired by the series will also launch in 2021 and the company expects its merchandise products related to the series to hit retailer shelves across the world in 2020. We note that TBRD continues to trade at relatively attract multiples of 4.5x and 3.5x on our 2020 and 2021 estimates.

TBRD had cash of \$16.3 MM and total debt (excluding interim financing) of \$1.0 MM. We like TBRD's conservative stance on debt unlike other like companies that have operated with much higher leverage to the peril of the equity.

Investment Conclusion:

We are making minor revisions to our estimates on the back of this quarter. However, our target and recommendation remain unchanged. We reiterate our Buy rating on TBRD, with a target price of \$2.25.

♦During the past twelve months, Cormark Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities for Corus Entertainment Inc.

Our disclosure statements are located on the second last page of this report

Figure 1: Summary Of Quarter And Revision Of Estimates

(In \$000s Except Per Share Data)	Q1/F20E	Q1/F20A	Q1/F19A	% Chg	Revision of Estimates			
					2020		2021	
					Old	New	Old	New
Revenue								
Production Services	6,965	10,305	6,332	63%	32,930	36,269	37,869	41,710
Licensing & Distribution	9,225	6,730	8,022	-16%	37,165	33,827	42,740	38,902
Other Revenue	-	16	7	128.6%	-	16	-	-
Total Revenue	16,191	17,051	14,361	19%	70,095	70,113	80,609	80,611
Opex	13,358	14,024	10,173		58,948	58,940	66,237	66,201
Adj. EBITDA	2,832	3,027	4,188	-28%	11,147	11,173	14,372	14,410
Adj. EBITDA Margin %	17%	18%	29%		16%	16%	18%	18%
Net Income	1,345	879	1,454		5,305	4,175	7,720	7,018
Diluted EPS	\$0.028	\$0.019	\$0.035		\$0.110	\$0.085	\$0.162	\$0.146
Net Income (ops)	1,364	952	1,682		5,305	4,230	7,720	7,018
Diluted EPS (ops)	\$0.028	\$0.019	\$0.040		\$0.110	\$0.086	\$0.162	\$0.146

Source: Cormark Securities Estimates, Company Reports

Figure 2: Media Comparables

Company	Bloomberg Symbol	Curr	Fiscal Year	Stock Price	Shrs O/S (MM)	Market Cap (MM)	Revenue				EBITDA		EPS (FD)		EV/EBITDA		P/E		FCF Yield	
							Year 1E	Year 2E	Year 1E	Year 2E	Year 1E	Year 2E	Year 1E	Year 2E	Year 1E	Year 2E	Year 1E	Year 2E	Year 1E	Year 2E
DHX Media	DHX CN Equity	CAD	Jun-19	\$1.68	170	271	443	452	81	85	(\$0.05)	\$0.03	8.3x	7.6x	N/M	56.0x	4.7%	7.7%		
Entertainment One	ETO LN Equity	GBP	Mar-20	£5.57	499	2,778	1,142	1,222	235	257	\$0.27	\$0.30	14.2x	12.8x	21.0x	18.6x	0.0%	0.0%		
ITV PLC	ITV LN Equity	GBP	Dec-19	£1.35	4,025	5,440	3,247	3,309	744	734	\$0.13	\$0.13	8.6x	8.6x	10.2x	10.3x	0.1%	0.1%		
KEW Media	KEW CN Equity	CAD	Dec-19	\$3.30	14	47	237	270	23	31	(\$0.64)	(\$0.08)	9.2x	6.7x	N/M	N/M	N/M	5.5%		
Lions Gate Entertainment	LGF/A US Equity	USD	Mar-20	\$9.56	83	2,006	3,834	4,059	525	565	\$0.82	\$0.99	8.7x	7.7x	11.7x	9.6x	39.8%	39.0%		
ProSiebensat.1	PSM Gy Equity	EUR	Dec-19	€13.00	233	3,028	4,172	4,348	891	934	\$1.84	\$1.90	6.2x	5.8x	7.1x	6.8x	9.6%	13.2%		
Thunderbird Entertainment	TBRD CN Equity	CAD	Jun-20	\$1.38	47	64	70	81	11	14	\$0.09	\$0.15	4.5x	3.5x	16.0x	9.4x	3.4%	2.4%		
Wow! Unlimited	WOW CN Equity	CAD	Dec-19	\$0.37	25	9	92	86	1	2	(\$0.18)	(\$0.06)	57.4x	16.7x	N/M	N/M	N/M	N/M		

Source: Bloomberg, Cormark Securities

Thunderbird Entertainment Group Inc.

Updated November 29, 2019

Price Chart and Disclosure Statement

*Information updated monthly on or about the 5th of each month.



*Cormark has this percentage of its universe assigned as the following:

Buy or Top Pick	66%
Market Perform	13%
Reduce or Tender	1%
Not Rated	20%

*Over the past 12 months, the following percentage of issuers whose securities received a "Top Pick" or "Buy", a "Market Perform", or a "Reduce" rating from Cormark Securities Inc., have engaged Cormark to provide investment-banking services during this period.

Buy or Top Pick	25%
Market Perform	9%
Reduce or Tender	25%

Recommendation / Target Chg

Date	C\$
23-Oct-19	2.25 (B)
11-Sep-19	3.00 (B)

During the last 12 months, has CSI provided financial advice to and/or, either on its own or as a syndicate member, participated in a public offering, or private placement of securities of the subject issuer? ☐ Yes ☒ No

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Does CSI expect to receive compensation for investment banking services from the subject issuer in the next three months? ☐ Yes ☒ No

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If YES
1) Is it a long and/or short position?
2) What type of security is it?

Does CSI beneficially own 1% or more of any class of the subject issuer's equity securities? ☐ Yes ☒ No

Has the analyst viewed the material operations of the subject issuer? ☒ Yes ☐ No

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If YES

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Market Perform	expected to perform with its peer group
Reduce	expected to underperform its peer group
Tender	clients are advised to tender their shares to a takeover bid
Not Rated	currently restricted from publishing, or our recommendation is under review

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