

Thunderbird Entertainment Inc. Media

Rating
BUY

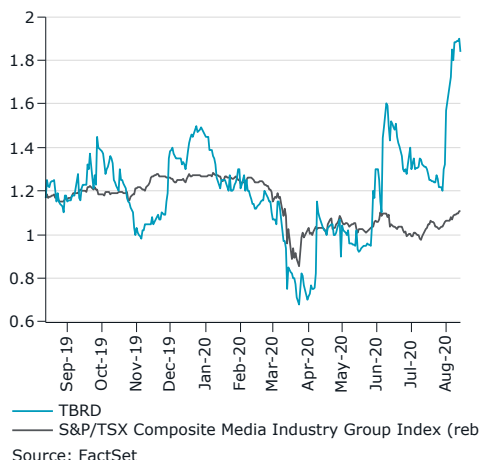
Price Target
C\$2.50

TBRD-TSX

Price
C\$1.84

Market Data

52-Week Range (C\$) :	0.66 - 1.94
Avg Daily Vol (000s) :	51.89
Shares Out. (M) :	46.7
Market Cap (C\$M) :	85.9
Dividend /Shr (C\$) :	0.00
Dividend Yield (%) :	0.0



Priced as of close of business 12 August 2020

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Highlights from CG Global Growth Conference

Thunderbird Entertainment President Mark Miller presented at the Canaccord Genuity Growth Conference today. We have summarized the main themes of the presentation and Q&A session in this flash note, as well as our take.

Continued upswing in demand: The key headline was the continued upswing in demand for Thunderbird productions with capacity utilization in its facilities at peak levels. This ties up well with the uplift in financial performance we have been seeing of late at Thunderbird, in particular Q3/20, where the company reported a strong beat with revenues and EBITDA, up over 40% y/y. Mr. Miller highlighted the fact that the company enjoyed a 100% renewal rate on its shows last year in addition to the commissioning of a number of new shows which speaks well to the quality delivered by the company in its productions.

Effective management through COVID19: Thunderbird has been one of the few companies in our coverage that has seen little to no financial impact from COVID19, due to effective management and early planning, as well as the nature of its productions which largely insulated the impact. Thus, while most other studios were facing stalled production schedules and thus delayed deliveries, Thunderbird was well positioned to grab incremental market share, at a time demand for content was accelerating.

Near-term growth trajectory: We believe that TBRD is poised for a potential step change in the level of commitments they receive from key platforms like Netflix, Disney +, etc. First, if we use Netflix as an example, they currently produce three series for the platform (in animation) including the highly prospective *Last Kids on Earth*, which recently launched its second season, and *Hello Ninja*. This is in addition to the successful run with *Kim's Convenience* (with seasons 5 & 6 approved). We suspect that this growing track record paves the way for much greater commitments. Additionally, management indicated that Thunderbird is in conversations with some of the major emerging platforms in content including HBO Max, Peacock, FB, YouTube, Apple, etc.

M&A options: TBRD boasts a strong balance sheet with \$12.2M in net cash. On one hand, it provides comfort to investors that the company can continue to invest in its strategic plans, but it also allows the flexibility to capitalize on M&A opportunities. During the presentation, management indicated that they are looking at a list of potential M&A options including well know brands which can be repurposed and refreshed to generate increased returns.

Valuation – still compelling despite recent momentum in share price: While the share price has started to strengthen post the release of Q3, we note that the stock still trades at a compelling 6.1x EV/EBITDA F2021E. Considering the mid-teens growth expectation, upside from merchandise, and solid balance sheet, we see this as attractive from a valuation standpoint. We continue to value the stock using 8x EV/EBITDA (2021E), to arrive at our target price of \$2.50/sh.

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Investment Recommendation

Date and time of first dissemination: August 12, 2020, 19:10 ET

Date and time of production: August 12, 2020, 19:10 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 08/12/20)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	520	62.80%	54.04%
Hold	179	21.62%	42.46%
Sell	16	1.93%	37.50%
Speculative Buy	113	13.65%	72.57%
	828*	100.0%	

*Total includes stocks that are Under Review

Canaccord Genuity Ratings System

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.

NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

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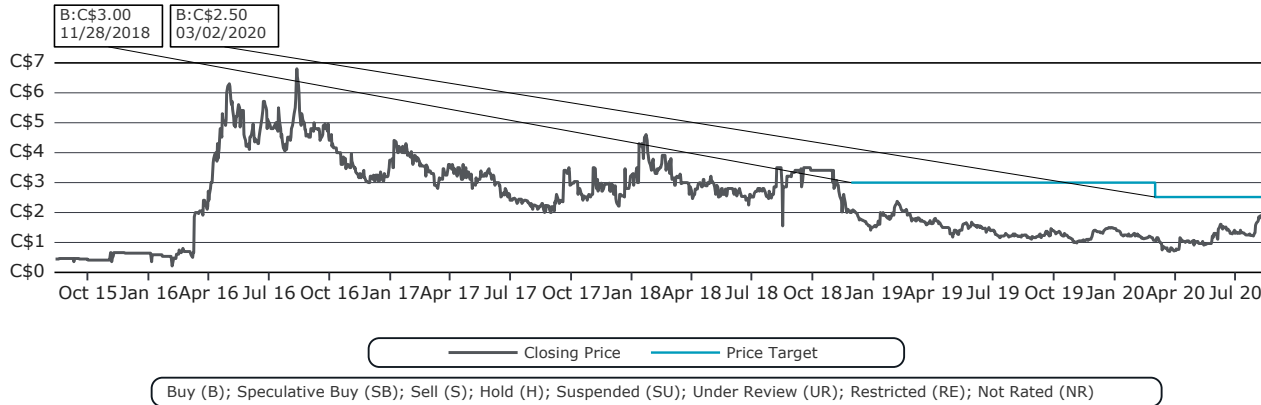
12-Month Recommendation History (as of date same as the Global Stock Ratings table)

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Thunderbird Entertainment Inc. Rating History as of 08/11/2020



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