

Recommendation: Buy
Target Price: \$2.25

Thunderbird Entertainment Group Inc. (TBRD-TSXV)

Content Demand Drives Solid Q3/F20 Results

Curr. Price	\$1.30	Shares Outstanding (MM)	
52 Wk High	\$1.62	Basic	46.7
52 Wk Low	\$0.66	Diluted	49.4
Cash (MM)*	\$11.3	Mngt. & Dir.	23.5
Total Debt (MM)*	\$0.0	Market Cap.	61
BVPS	\$1.12	Float	30
Price/Book	1.2x	EV*	48
Dividend	\$0.00		
Dividend Yield	0.0%	* Denotes F2020E	

FY June.	2018A	2019A	2020E	2021E
Revenue (MM)	\$142.4	\$61.5	\$74.3	\$82.5
EBITDA (MM)	\$10.1	\$10.3	\$12.9	\$15.2
Dil. EPS (ops)	\$0.10	\$0.08	\$0.08	\$0.16
EBITDA y/y chg		1.8%	25.2%	18.4%
EPS y/y chg		N/A	N/A	105.0%
EV/EBITDA			3.7x	3.1x
P/E			16.8x	8.2x

Unless otherwise denoted, all figures shown in C\$

Event:

TBRD reported its Q3/F20 results on Thursday, May 28, 2020, after market close, which were ahead of our expectations.

Impact:

Positive.

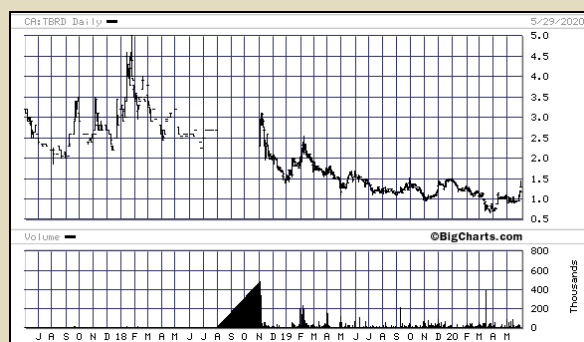
Commentary:

The company reported consolidated revenue of \$29.3 MM, up 40%, adj. EBITDA of \$6.9 MM, up 45%, and EPS (ops) of \$0.07 vs \$0.05 in Q3/F19. We were looking for consolidated revenue of \$24.8 MM, adj. EBITDA of \$5.4 MM and EPS (ops) of \$0.07. We note that reported EBITDA included a \$1.6 MM benefit related to IFRS 16 adoption in F2020. We believe Thunderbird to be operating at record capacity, which could also be noted in the company's recent announcement of hiring 30 new team members to its LA studio to keep up with the increased demand primarily from Netflix. Prominently, according to a Neilson report, content consumption is at record levels and is up 85% Y/Y for March in the US due to the coronavirus lockdown. Netflix remains a leading source of content consumption with approximately 29% market share amongst the streaming services.

TBRD reported production services revenue of \$12.5 MM, up 60%, vs our estimate of \$8.8 MM and licensing and distribution revenue of \$16.8 MM, up 28%, vs our estimate of \$16 MM. We remind investors that TBRD's primary competitive advantages against its peers are 1) large exposure to animation production and 2) long-standing relationships with key OTT providers. We believe animation production to be the least impacted by COVID, as animation production is conducted virtually even under normal circumstances. During the quarter, Thunderbird delivered 43 half-hour episodes and 21 one-hour episodes of which all of the one-hour episodes and approximately 24 of the half-hour episodes were company IP. In our opinion, this bodes well for future potential of IP exploitation to generate more distribution revenue, which typically has higher margins. In our opinion, TBRD's balance sheet is strong with approximately \$12.2 MM of cash and no debt (aside from interim financing) at the end of Q3/F20. We are making minor revisions to our estimates; however, our recommendation and target price remain unchanged.

Investment Conclusion:

TBRD continues to trade at very attractive multiples of 3.7x and 3.1x our F2020E and F2021E, respectively. We derive our target by applying a 7.0x multiple to our F2021E EBITDA. We reiterate our Buy rating on TBRD, with a target price of \$2.25.



Source: BigCharts.com, May 29, 2020

Figure 1: Summary Of Quarter And Revision Of Estimates

(In \$000s Except Per Share Data)	Q3/F20E	Q3/F20A	Q3/F19A	% Chg	Revision of Estimates			
					2020		2021	
					Old	New	Old	New
Revenue								
Production Services	8,751	12,495	7,813	60%	40,426	43,118	45,682	47,430
Licensing & Distribution	16,001	16,806	13,117	28%	31,285	31,114	35,977	35,066
Other Revenue	-	-	16	-100.0%	40	40	-	-
Total Revenue	24,752	29,301	20,946	40%	71,751	74,272	81,659	82,496
Opex	19,354	22,420	16,212		59,292	61,402	66,432	67,261
Adj. EBITDA	5,398	6,881	4,734	45%	12,459	12,870	15,226	15,234
Adj. EBITDA Margin %	22%	23%	23%		17%	17%	19%	18%
Adj. EBITDA excl. IFRS 16	4,698	5,281	4,734	12%	8,659	8,170	14,276	14,284
Adj. EBITDA excl. IFRS 16 Margin %	19%	18%	23%		12%	11%	17%	17%
Net Income	3,139	2,955	1,929		4,200	3,171	7,194	7,647
Diluted EPS	\$0.066	\$0.059	\$0.039		\$0.086	\$0.064	\$0.150	\$0.159
Net Income (ops)	3,139	3,495	2,375		4,383	3,821	7,194	7,647
Diluted EPS (ops)	\$0.066	\$0.070	\$0.048		\$0.088	\$0.077	\$0.150	\$0.159

Source: Cormark Securities Estimates, Company Reports

Figure 2: Media Comparables

Company	Thomson Eikon 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
Wildbrain Ltd.	WILD.TO	CAD	Jun-20	\$1.27	171	\$217	\$427	\$419	\$77	\$78	(\$0.17)	\$0.01	8.6x	8.1x	N/M	127.0x	12.9%	15.3%
ITV PLC	ITV.L	GBP	Dec-20	£0.80	4,025	£3,232	£2,850	£3,151	£531	£631	£0.09	£0.11	7.6x	6.4x	9.4x	7.5x	8.3%	11.8%
Lions Gate Entertainment	LGFA.N	USD	Mar-20	\$7.97	219	\$1,749	\$3,467	\$4,019	\$432	\$525	(\$0.14)	\$0.11	10.9x	9.0x	10.9x	9.0x	12.4%	10.4%
ProSiebensat.1	PSMGn.DE	EUR	Dec-20	€11.50	233	€2,680	€3,915	€4,245	€689	€824	€1.09	€1.52	7.6x	6.4x	10.5x	7.6x	8.3%	10.7%
Thunderbird Entertainment	TBRD.V	CAD	Jun-20	\$1.30	47	\$61	\$74	\$82	\$13	\$15	\$0.08	\$0.16	3.7x	3.1x	16.8x	8.2x	7.9%	6.5%
Wow! Unlimited	WOW.V	CAD	Dec-20	\$0.38	32	\$12	\$61	\$68	\$2	\$5	(\$0.14)	(\$0.03)	14.1x	4.6x	N/M	N/M	N/M	12.6%

Source: Thomson Eikon Estimates, Cormark Securities

Thunderbird Entertainment Group Inc.
Price Chart and Disclosure Statement

Updated May 29, 2020

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



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Market Perform	15%
Reduce or Tender	2%
Not Rated	21%

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Buy or Top Pick	24%
Market Perform	8%
Reduce or Tender	0%

Recommendation / Target Chg	
Date	C\$
23-Oct-19	2.25 (B)
11-Sep-19	3.00 (B)

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Not Rated	currently restricted from publishing, or our recommendation is under review

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