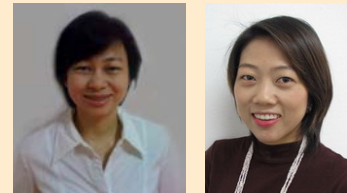


**BUY** (Unchanged)**TP: Bt17.80** (Unchanged)**Change in Numbers****Upside: 16.3%**

## Major Cineplex Group (MAJOR TB)

### So far so good

**We still like MAJOR. The flood hiccup is over and it enjoys decent growth drivers. Although the movie line-up this year isn't as good as last year, 10% earnings growth still looks achievable before expansions in high-traffic locations boost growth to 16% in 2013F. Maintain BUY.**



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#### Decent growth outlook

We see MAJOR as being a decent long-term growth business. Organically, it is riding on consumption, ad spending growth, urbanization and the growing provincial economy. On top of that is its ability to raise ticket prices by about 5% p.a. (8% in 2011) and new digital technology that should eventually boost margins (from 2014F onward) via a rising average ticket price (ATP). The flood hiccup from 4Q11 is over and all its businesses are back on track with normal traffic flows. Despite the movie line-up this year not being as good as in 2011, we forecast MAJOR to deliver 10% earnings growth in 2012 and 16% in 2013.

#### Earnings drivers intact

Although we expect a 3% decline in ticket admissions this year due to fewer high-profile movies than in 2011, earnings growth of 10% in 2012F still looks achievable via a 5.2% rise in ATP (3% organic growth and 2% from upgrading 70 screens to digital), 53 new screens (up 14%) from 2Q12, 9% growth in ad revenue and 12% growth in concession revenues e.g. popcorn, snacks, drinks, etc. We forecast stronger earnings growth of 16% in 2013 from the full-year impact of its 2012 expansion and a normal level of new screens of 20 p.a., an increase of about 5%.

#### Other movie-related businesses will help drive growth

Advertising and concession income are also major profit contributors at 48% of total gross profit. They are very high gross margin businesses at 64% and 87% (versus MAJOR's average of 34%). We project concession income to grow 12% in 2012 as upcountry spending is showing decent growth. We also forecast ad revenues to rise by 9% given signs of healthy ad spending from government agencies and financial institutions apart from the normal heavy spenders like the fast-moving consumer goods (FMCG) and automotive sectors.

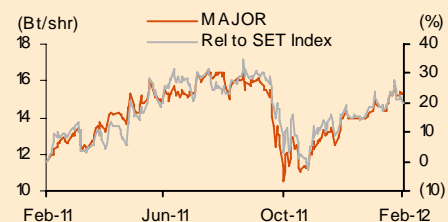
#### High-quality expansions

The planned 53 new screens in 2012 (a 14% capacity increase versus 5% in 2007-11) are in good locations. Of the total of 53, 31 will be in high-traffic Bangkok malls at IKEA (16 screens) and Seacon Square Bangkai (10). The other seven will be added at existing projects driven by strong demand while the remaining 15 screens will tag along with expansions of supermarkets, which are normally good traffic drawers. Therefore, we do not believe this year's aggressive expansion plan is high risk. Note that most of the new screens will start operating from the middle of 2Q12.

#### COMPANY VALUATION

Y/E Dec (Bt m)	2010	2011F	2012F	2013F
Sales	6,021	6,773	7,069	8,022
Net profit	762	764	840	977
Consensus NP	—	808	914	1,056
Diff from cons (%)	—	(5.5)	(8.0)	(7.4)
Norm profit	762	764	840	977
Prev norm profit	—	767	849	1,115
Chg from prev (%)	—	(0.3)	(1.1)	(12.3)
Norm EPS (Bt)	0.8	0.8	0.9	1.1
Norm EPS gr (%)	144.2	0.3	10.0	16.3
Norm PE (x)	18.1	18.0	16.4	14.1
EV/EBITDA (x)	9.8	8.8	8.6	7.7
P/BV (x)	2.5	2.5	2.4	2.3
Div. yield (%)	5.2	5.0	5.5	6.4
ROE (%)	14.1	13.7	14.8	16.8
Net D/E (%)	58.9	44.4	45.5	33.6

#### PRICE PERFORMANCE

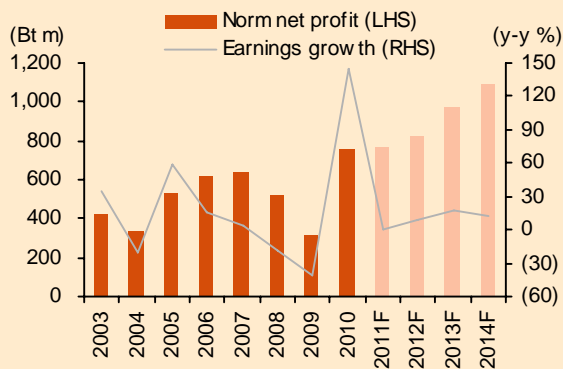


#### COMPANY INFORMATION

Price as of 3 Feb 11 (Bt)	15.30
Market cap (US\$ m)	437
Listed shares (m shares)	882
Free float (%)	59
Avg daily turnover (US\$ m)	1.83
12M price H/L (Bt)	16.7/10.3
Sector	Media
Major shareholder	Poolworarak family 38.5%

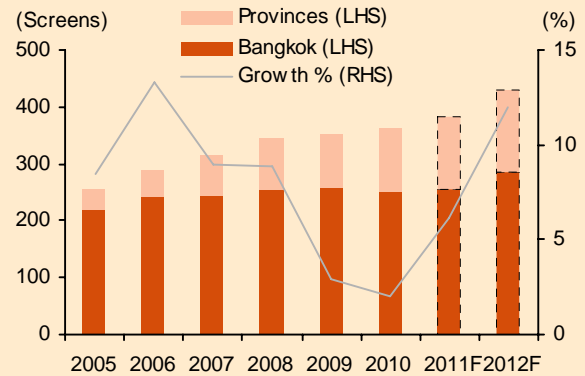
Sources: Bloomberg, Company data, Thanachart estimates

**Ex 1: 2011F-14F CAGR of 13%**



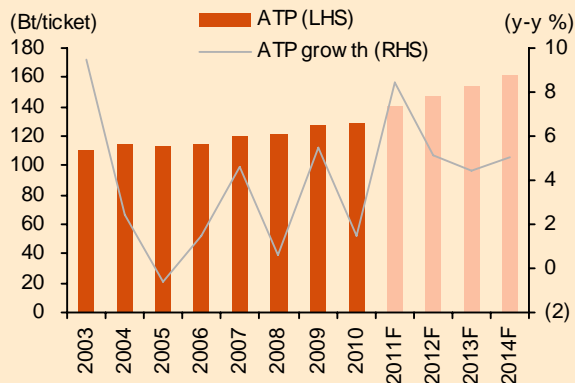
Sources: Company data, Thanachart estimates

**Ex 2: New Screens In Bangkok vs Provinces**



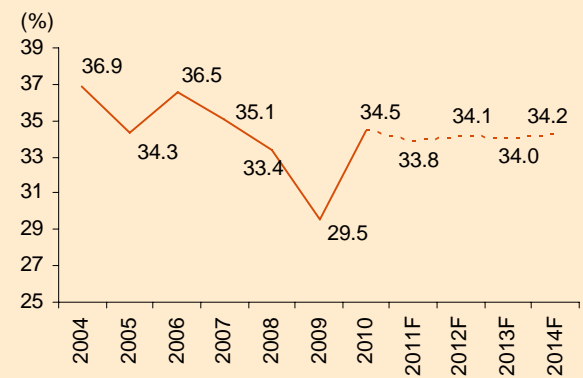
Sources: Company data, Thanachart estimates

**Ex 3: Yearly Average Ticket Price Hike**



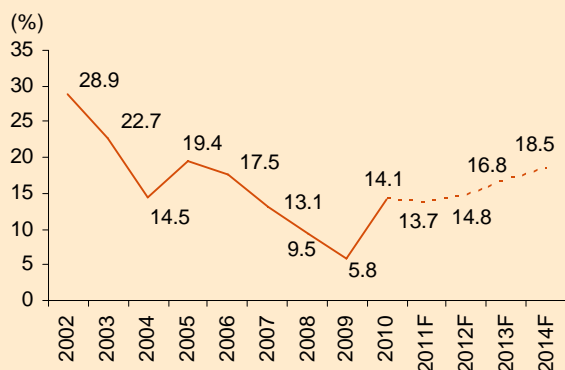
Sources: Company data, Thanachart estimates

**Ex 4: Gross Margin Is Maintained**



Sources: Company data, Thanachart estimates

**Ex 5: ROE Is On The Rise**



Sources: Company data, Thanachart estimates

**Ex 6: Business Breakdown In 2012F**

	Revenue contribution	Gross margin
Ticket admission	51%	20%
Concession	11%	64%
Advertisements	11%	87%
Film distribution	14%	21%
Rental	7%	38%
Bowling and karaoke	6%	32%

Sources: Company data, Thanachart estimates

**Ex 7: Top Five Box Office Films in 2010-2011**

2010	Box-office take (Bt m)
Avatar	300
Harry Potter 7.1	160
Iron Man 2	175
Resident Evil 4	110
Twilight 3	110
2011	Box-office take (Bt m)
Transformers 3	330
Harry Potter 7.2	260
Fast and Furious 5	150
Pirates of the Caribbean 4	110
Twilight 4.1	110

Source: Company data

**Ex 8: Upcoming Film Line-Up In 2012**

Hollywood movies	In cinemas
Underworld 4	1Q12
Star Wars: Episode 1(3D)	1Q12
The Avengers	2Q12
Men in Black 3	2Q12
G.I. Joe 2	2Q12
Titanic (3D)	2Q12
Clash of the Titans (3D)	2Q12
Spider Man	3Q12
The Dark Knight Rises	3Q12
Resident Evil 5	3Q12
James Bond	4Q12
Twilight 4.2	4Q12
Monsters Inc. 2	4Q12

Source: Company data

**Ex 9: Valuation Comparison With Regional Peers**

Name	BBG Code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		Div yield	
			11F	12F	11F	12F	11F	12F	11F	12F	11F	12F
			(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
Kinepolis Group NV	KIN BB	Belgium	9.5	6.2	12.6	11.9	2.7	2.4	6.5	6.3	6.9	3.2
PVR	PVRL IN	India	11.8	300.5	41.1	10.3	1.1	1.0	6.9	5.5	0.8	1.1
Round One Corp	4680 JP	Japan	(22.2)	na	na	11.1	0.6	0.6	5.9	5.1	4.1	4.1
Cinema City Int'l	CCI PW	Poland	(34.5)	15.9	79.8	68.9	6.6	6.0	8.4	7.0	0.0	0.3
CJ CGV	079160 KS	S. Korea	31.9	26.1	12.1	9.6	1.7	1.5	7.6	6.9	1.0	1.2
Imax Corp	IMAX US	USA	(74.1)	158.5	52.0	20.1	na	na	21.0	11.9	na	na
Major Cineplex Group *	MAJOR TB	Thailand	0.3	10.0	18.0	16.4	2.5	2.4	8.8	8.6	5.0	5.5
<b>Average</b>			<b>(11.0)</b>	<b>86.2</b>	<b>35.9</b>	<b>21.2</b>	<b>2.5</b>	<b>2.3</b>	<b>9.3</b>	<b>7.3</b>	<b>3.0</b>	<b>2.6</b>

Source: Bloomberg

Note: \* Thanachart estimates using normalized EPS growth

## COMPANY DESCRIPTION

Major Cineplex Group Pcl (MAJOR) operates a movie theater chain, bowling alleys and karaoke outlets including a bowling business in India. The company also provides theater advertising services, rental space at standalone entertainment complexes, and film distribution. MAJOR's strategic investments are in lifestyle neighborhood mall development, a listed property fund, cable TV, and ticket sales business.

Source: Thanachart

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Its balance sheet is strong with a 0.5x D/E ratio.
- MAJOR is the leader in the cinema business with an 80% market share.
- It's a cash-cow company so it doesn't have any problems financing new investments.

### O — Opportunity

- Room for urban and provincial expansion.
- The 3D and 4D digital trend will reduce piracy in the movie market and lift the average ticket price (ATP).
- MAJOR has set a target to boost the number of bowling lanes in India.

## CONSENSUS COMPARISON

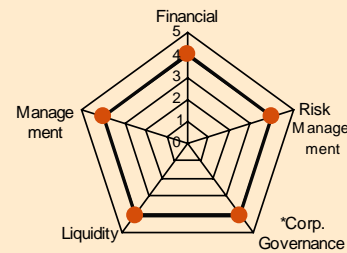
	Consensus	Thanachart	Diff
Target price (Bt)	17.13	17.80	4%
Net profit 11F (Bt m)	808	764	-5%
Net profit 12F (Bt m)	914	840	-8%
Consensus REC	<b>BUY: 23</b>	<b>HOLD: 1</b>	<b>SELL: 1</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings projection for 2012 is below the market's forecast as we assume lower ticket admissions due to fewer high-profile movies in 2012.

Sources: Bloomberg consensus, Thanachart

## COMPANY RATING



### Rating Scale

<b>Very Strong</b>	<b>5</b>
<b>Strong</b>	<b>4</b>
<b>Good</b>	<b>3</b>
<b>Fair</b>	<b>2</b>
<b>Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \*CG Awards

### W — Weakness

- Earnings are still reliant on movie line-up.

### T — Threat

- More piracy in the cinema business.
- Earnings are sensitive to consumption momentum.

## RISKS TO OUR INVESTMENT CASE

- If domestic consumption momentum is disrupted more than currently expect.

Source: Thanachart

## FINANCIAL SUMMARY

Income Statement						Quarterly Earnings					
(consolidated)						(consolidated)					
Yr-end Dec (Bt m)	2009	2010	2011F	2012F	2013F	3Q10	4Q10	1Q11	2Q11	3Q11	
Sales	5,561	6,021	6,773	7,069	8,022	Sales	1,675	1,459	1,470	2,006	1,856
Cost of sales	3,919	3,945	4,484	4,660	5,292	Cost of sales	1,079	952	955	1,297	1,231
<b>Gross profit</b>	<b>1,641</b>	<b>2,077</b>	<b>2,289</b>	<b>2,409</b>	<b>2,730</b>	<b>Gross profit</b>	<b>596</b>	<b>507</b>	<b>515</b>	<b>709</b>	<b>625</b>
SG&A	1,386	1,507	1,534	1,637	1,857	SG&A	345	453	343	378	401
<b>Operating profit</b>	<b>256</b>	<b>570</b>	<b>755</b>	<b>772</b>	<b>873</b>	<b>Operating profit</b>	<b>251</b>	<b>54</b>	<b>172</b>	<b>331</b>	<b>224</b>
Depre & amortization	1,137	1,174	1,098	1,132	1,169	Depre & amortization	267	288	262	251	225
<b>EBITDA</b>	<b>1,393</b>	<b>1,744</b>	<b>1,853</b>	<b>1,905</b>	<b>2,042</b>	<b>EBITDA</b>	<b>518</b>	<b>342</b>	<b>434</b>	<b>582</b>	<b>449</b>
Other income	96	128	122	156	193	Other income	29	35	26	29	42
Other expenses	0	0	0	0	0	Other expenses	0	0	0	0	0
Interest expense	133	138	130	113	126	Interest expense	34	33	39	35	35
Pre-tax profit	218	560	747	814	940	Pre-tax profit	246	56	159	325	231
Income tax	93	126	179	187	188	Income tax	64	15	40	76	77
After-tax profit	126	434	568	627	752	After-tax profit	182	41	119	249	154
Equity income	179	343	213	230	245	Equity income	36	243	70	62	54
Minority interests	6	(15)	(17)	(17)	(20)	Minority interests	(4)	(9)	(9)	(6)	(1)
Extraordinary items	23	0	0	0	0	Extraordinary items	1	(20)	13	(12)	8
<b>NET PROFIT</b>	<b>334</b>	<b>762</b>	<b>764</b>	<b>840</b>	<b>977</b>	<b>NET PROFIT</b>	<b>214</b>	<b>255</b>	<b>193</b>	<b>293</b>	<b>215</b>
<b>Normalized profit</b>	<b>311</b>	<b>762</b>	<b>764</b>	<b>840</b>	<b>977</b>	<b>Normalized profit</b>	<b>213</b>	<b>276</b>	<b>180</b>	<b>306</b>	<b>207</b>
EPS (Bt)	0.4	0.8	0.8	0.9	1.1	EPS (Bt)	0.2	0.3	0.2	0.3	0.2
Normalized EPS (Bt)	0.3	0.8	0.8	0.9	1.1	Normalized EPS (Bt)	0.2	0.3	0.2	0.3	0.2
Year End Shares (m)	900	900	900	900	900						

Balance Sheet						Financial Ratios And Valuations					
(consolidated)						(consolidated)					
Yr-end Dec (Bt m)	2009	2010	2011F	2012F	2013F	2009	2010	2011F	2012F	2013F	
Cash & equivalent	532	202	550	428	320	Norm profit (y-y%)	(40.6)	145.0	0.3	10.0	16.3
A/C receivables	794	798	898	937	1,063	Norm EPS (y-y%)	(41.0)	144.2	0.3	10.0	16.3
Inventories	<b>178</b>	<b>135</b>	<b>153</b>	<b>159</b>	<b>181</b>	Net profit (y-y%)	<b>(46.7)</b>	<b>128.3</b>	<b>0.3</b>	<b>10.0</b>	<b>16.3</b>
Other current assets	910	422	520	538	597	EPS (y-y%)	(47.1)	127.6	0.3	10.0	16.3
Investment	<b>1,528</b>	<b>2,498</b>	<b>2,498</b>	<b>2,498</b>	<b>2,498</b>	Dividend payout (%)	<b>94.4</b>	<b>94.5</b>	<b>90.0</b>	<b>90.0</b>	<b>90.0</b>
Fixed assets	5,709	5,406	4,708	4,838	4,269	Gross margin (%)	<b>29.5</b>	<b>34.5</b>	<b>33.8</b>	<b>34.1</b>	<b>34.0</b>
Other assets	<b>1,619</b>	<b>1,573</b>	<b>1,769</b>	<b>1,847</b>	<b>2,096</b>	Operating margin (%)	4.6	9.5	11.1	10.9	10.9
<b>Total assets</b>	<b>11,269</b>	<b>11,033</b>	<b>11,096</b>	<b>11,244</b>	<b>11,023</b>	EBITDA margin (%)	25.1	29.0	27.4	26.9	25.5
S-T debt	2,068	656	576	577	438	Net margin (%)	2.3	7.2	8.4	8.9	9.4
A/C payables	625	539	613	637	724	ROA (%)	3.0	6.8	6.9	7.5	8.8
Other current liabilities	1,033	820	1,090	1,050	1,242	ROE (%)	5.8	14.1	13.7	14.8	16.8
L-T debt	1,672	2,887	2,534	2,539	1,928	Net D/E (x)	0.6	0.6	0.4	0.5	0.3
Other liabilities	483	457	514	536	609	Norm PE (x)	44.1	18.1	18.0	16.4	14.1
<b>Total liabilities</b>	<b>5,880</b>	<b>5,359</b>	<b>5,327</b>	<b>5,340</b>	<b>4,940</b>	Norm PE at TP (x)	51.3	21.0	21.0	19.1	16.4
Minority interest	100	137	154	171	191	PE (x)	<b>41.1</b>	<b>18.1</b>	<b>18.0</b>	<b>16.4</b>	<b>14.1</b>
<b>Shareholders' equity</b>	<b>5,288</b>	<b>5,536</b>	<b>5,615</b>	<b>5,733</b>	<b>5,892</b>	EV/EBITDA (x)	<b>12.2</b>	<b>9.8</b>	<b>8.8</b>	<b>8.6</b>	<b>7.7</b>
Working capital	347	393	437	459	520	P/BV (x)	2.6	2.5	2.5	2.4	2.3
Total debt	3,740	3,543	3,110	3,116	2,366	Dividend yield (%)	2.3	5.2	5.0	5.5	6.4
Net debt	3,208	3,341	2,560	2,688	2,046	DPS (Bt)	0.4	0.8	0.8	0.8	1.0
						BV/share (Bt)	5.9	6.2	6.2	6.4	6.5

Sources: Company data, Thanachart estimates

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