

MAJOR (MAJOR TB)

Major Cineplex Group

Current

BUY

Previous

BUY

Close

24.00

2019 TP

27.00

Exp Return

+13%

THAI CAC

N/A

CG 2018

4

Consolidated earnings

BT (mn)	2017	2018	2019E	2020E
Normalized earnings	822	972	1,063	1,143
Net profit	1,193	1,284	1,063	1,143
Normalized EPS (Bt)	0.92	1.09	1.19	1.28
Reported EPS (Bt)	1.33	1.43	1.19	1.28
% Norm EPS growth	-18.5	18.3	9.4	7.5
Dividend (Bt)	1.25	1.30	1.12	1.15
BV/share (Bt)	7.26	7.41	7.49	7.63
EV/EBITDA (x)	11.4	10.1	10.1	9.6
PER (x)	18.0	16.7	20.2	18.8
PER (x) - normalized	26.1	22.1	20.2	18.8
PBV (x)	3.3	3.2	3.2	3.1
Dividend yield (%)	5.2	5.4	4.7	4.8
ROE (%)	12.6	14.7	15.9	16.7
YE No. of shares (million)	895	895	895	895
Par (Bt)	1	1	1	1

Source: Company data, FSS estimates

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4Q18 normalized earnings beat estimate by 13%

4Q18 normalized earnings up 64.6% Q-Q and 1,071.6% Y-Y

MAJOR's 4Q18 normalized earnings come in at Bt221mn, higher than our estimate of Bt191mn. It's sharply up by 64.6% Q-Q and 1071.6% Y-Y due to the abnormally low base in 4Q17 when the company reported normalized loss of Bt19mn due to the one-month royal cremation ceremonies. In 4Q18, there were a number of blockbusters, including Nakee 2, a popular Thai film, Aquaman, Fantastic Beast 2, and Bumblebee. They helped support ticket sales (which account for 50-55% of total revenues) to increase 54.8% Q-Q and 87.8% Y-Y. Concession sales (which represent 18-20% of total revenues) jumped 45.1% Q-Q and 69.8% Y-Y. Ads income turned to increase 31.6% Q-Q after MAJOR signed many more new contracts. Together they helped offset SG&A expense which significantly increased due to the company's opening of a new branch at Icon Siam and employee-related expense. During the quarter, MAJOR booked an extra gain of Bt38mn from partial sales of its investment in SF. As a result, the company's net profit is equal to Bt259mn (+25.9% Q-Q, +246.8% Y-Y).

2018 normalized earnings surge 18.3%, Maintain 2019E normalized earnings at Bt1.1bn (+9.4% Y-Y)

MAJOR's 2018 normalized earnings strongly recovered 18.3% Y-Y. However, the company's net profit only increased 7.6% Y-Y because it booked large extra gains last year. Looking ahead, we stand by our 2019E normalized earnings at Bt1.1bn (+9.4% Y-Y). This year, there will be a number of films that are anticipated to record strong ticket sales, particularly in 2Q when it's the movie industry's high season. They include Avengers Infinity War, Men in Black, Spider-Man: Into the Spider-Verse, and Godzilla. What's more, MAJOR will expand the number of screens while keeping tighter control on cost.

Maintain BUY rating at 2019 TP of Bt27

We stand by our 2019 DCF-based TP of Bt27. MAJOR pays fairly constant dividend with a decent yield of 5%. For the performance in 2H18, the company has announced a DPS of Bt0.7, implying a dividend yield of 2.9%. The stock will go XD on April 23. We retain our BUY rating on MAJOR.

Risks: Slower-than-expected economic recovery, lower-than-expected box office revenues, increased popularity of online movie, e.g. Netflix

4Q18 Earnings Results

(Bt mn)	4Q18	3Q18	%Q-Q	4Q17	%Y-Y	Comment
Revenues	2,951	2,048	44.1	1,858	58.8	<ul style="list-style-type: none"> In 4Q18, revenues were higher than expected thanks to ticket sales and ads income. Gross margin was wider than expected at 33.3%.
Cost of services	1,841	1,418	29.9	1,325	38.9	
Gross profit	1,110	630	76.2	533	108.4	
SG&A	848	548	55.1	566	49.7	
Interest expense	27	26	0.8	33	-18.5	
Normalized earnings	221	134	64.6	19	1071.6	
Net profit	259	206	25.9	75	246.8	
Gross margin (%)	37.6	30.8	6.9	28.7	8.9	
Norm earnings margin (%)	7.5	6.6	0.9	1.0	6.5	
Net profit margin (%)	8.8	10.1	-1.3	4.0	4.8	

Source: Company and FSS Research

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Chiangmai 1

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Muang
Chiangmai

Nakornratchasima

1242/2 Room A3, 7 fl.,
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Mittraphap rood Tumbon Nai Muang
Aumhoe Muang Nakornratchasima
Nakornratchasima

Hatyai 3

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Khonkaen 1

311/16 2nd Floor, Klangmeung
Road, Tumbon Nai Meung,
Aumhoe Meung,
Khonkaen

Chiangmai 2

310 Chiang Mai Land,
Chang Klan R., Chang Klan
Muang
Chiangmai

Samutsakorn

813/30 Norrasing Road,
Tumbon Maha Chai,
Aumhoe Meungsamutsakorn,
Samutsakorn

Trang

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Aumhoe Meungtrang, Trang

Alma Link

9th, 14th, 15th Fl.,
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Soi Chidlom, Ploenchit, Lumpini,
Patumwan, Bangkok

Sindhorn 1

130-132 Sindhorn Building 1,
2rd Floor, Wireless Road,
Lumpini, Pathumwan,
Bangkok

Rang sit

1/832 Moo 17
Kukod, Lumlookka
Pratumtanee

Khonkaen 2

26/9 Moo 7, 2nd Floor
Sri Chant Mai Road,
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Aumhoe Meung Khonkaen,
Khonkaen

Chiangmai 3

Maliplace Building 32/4 moo 2
1 fl., Room B1-1, B1-2
Tumbon Maehia
Chiangmai

Phuket

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Tumbon Talad Yai,
Amphoe Muang Phuket,
Phuket

Suratthani

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Watpho-Bangyai Road.,
Tumbon Makamtia,
Aumhoe Mueang, Suratthani

Amarin Tower

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Kian Gwan (Sindhorn 2)

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Abdulrahim

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Khonkaen 3

311/1
Khang Meung Road,
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Aumhoe Meung Khonkaen,
Khonkaen

Chiangrai

353/15 Moo 4,
Tumbon Rimkok
Aumhoe Muang, Cheangrai

Hatyai 1

200/221, 200/223
Juldis Hadyai Plaza, 2rd Floor,
Building, Niphat Uthit 3 Road,
Aumhoe Hadyai, Songkhla

Pattane

300/69-70 Moo 4,
Tumbon Rusamirae,
Aumhoe Meung, Pattane

Central Pinklao 1

7/129-221 Central Pinklao Office
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Sindhorn 3

130-132 Sindhorn Building 3,
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Rattanatibet

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Aumhoe Muang, Nonthaburi

Udonthani

197/29, 213/3
Udon Dusadee Road,
Tumbon Mak Khaeng,
Aumhoe Muang Udon Thani,
Udon Thani

Measai

119 Moo 10,
Tumbon Maesai,
Aumhoe Muang, Cheangrai

Hatyai 2

106 Prachathipat Road,
Aumhoe Hadyai, Songkhla

Recommendation Definitions

BUY	The latest close is below our target price and the estimated upside is 10% or more.
HOLD	The latest close is below our target price and the estimated upside is 0-10%.
SELL	The latest close is above our target price.
TRADING BUY	The latest close is above our target price but the price is expected to be driven by short-term positive factors
OVERWEIGHT	The estimated return is higher than the market average.
NEUTRAL	The estimated return is the same as the market average.
UNDERWEIGHT	The estimated return is lower than the market average



Note: The expected return may change as market risks increase or decline.

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Thai Institute of Directors Association (IOD) - Corporate Governance Report Rating 2018

Score Range	Rating	Description
100-90		Excellent
80-89		Very Good
70-79		Good
60-69		Satisfactory
50-59		Pass
<50	no logo given	n/a

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Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

1 CG Score 2018 from Thai Institute of Directors Association (IOD)

2 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 31, 2018) are categorised into:

- companies that have declared their intention to join CAC, and
- companies certified by CAC.