



ALERT

Thailand

Major Cineplex Group

(MAJOR BK/MAJOR TR) ๙

Under review

Price as of 15 Feb 2019	24.00
12M target price (Bt/shr)	NA
Unchanged / Revised up (down)	NA
(%)	NA
Upside/downside (%)	NA

Key messages

MAJOR reported a 4Q18 net profit of Bt259mn (+26% QoQ, +247% YoY). The result was 17% above our forecast and 6% above the market consensus. Excluding extra items, core profit was Bt219mn (+58% QoQ, +774% YoY) thanks to a stronger movie line up. Though full-year 2018 net profit was only 1.5% above our forecast, we foresee upside to our 2019 profit forecast of Bt1.26bn. We are likely to raise our earnings forecast after we get more information at today's analyst meeting. Our target price and rating are now under review.

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4Q18 earnings review: Beat expectations

Event

MAJOR reported a 4Q18 net profit of Bt259mn (+26% QoQ, +247% YoY). The result was 17% above our forecast and 6% above the market consensus. Full-year 2018 net profit was Bt1.28bn (+7.6% YoY). The company announced a dividend of Bt0.70/share for 2H18 (XD April 23, 2019).

Impact

Greater revenue pushed 4Q18 earnings

Earnings beat our expectation mainly due to revenue coming in 15% higher than expected. Note that 4Q18 net profit included extra items of Bt48mn (gain of Bt38mn from disposal of investment in Siam Future Development (SF.BK/SF TB) and FX gain of Bt10mn). Excluding the extra items, 4Q18 core profit was Bt219mn (+58% QoQ, +774% YoY). The key driver QoQ was i) revenue growing 44% QoQ, and ii) gross margin improving to 37.6%, from 30.8% in 3Q18. The jump YoY was mainly due to revenue growing 59% YoY, from a three-year low in 4Q17.

Expect 2019 earnings to peak in 2Q

Though MAJOR's 1Q19 net profit is likely to drop QoQ due to seasonality, it should increase YoY due to the low base in 1Q18. Meanwhile, we foresee a brighter outlook for 2019 earnings due to i) strong profit growth in 2Q19 backed by a stronger lineup of both Hollywood movies and local movies during 2Q, the high season for the movie industry, ii) expansion of 70-80 screens and iii) end of some low price campaigns that dragged down average ticket price.

We are likely to raise our 2019 forecast

Though full-year 2018 net profit was only 1.5% above our forecast, we foresee upside to our 2019 net profit forecast of Bt1.26bn due to the brighter outlook this year. Therefore, we are likely to raise our 2019 earnings forecast for MAJOR after getting more information at today's analyst meeting.

Valuation & action

Our target price and rating for MAJOR are under review.

Risks

Lower than expected cinema revenue.

Figure 1: 4Q18 earnings review

Bt mn	4Q18	4Q17	YoY (%)	3Q18	QoQ (%)	2018	2017	YoY (%)	Comments
Revenue	2,951	1,858	58.8	2,048	44.1	9,952	8,972	10.9	4Q18 revenue growth QoQ and YoY boosted by cinema business growth
Gross Profit	1,110	533	108.3	630	76.2	3,453	3,014	14.6	
SG&A	(848)	(638)	32.9	(546)	55.1	(2,491)	(2,363)	5.4	
Operating Profit	262	(105)	(349.5)	84	213.5	962	651	47.8	
Operating EBITDA	571	209	173.8	414	38.2	2,263	2,035	11.2	
Other incomes	67	43	53.7	104	(35.9)	382	381	0.5	
Extra items	50	198	(74.9)	85	(41.2)	337	585	(42.5)	Extra items in 4Q18 were gain from disposal of investment in SF and FX gain
Interest Expense	(27)	(33)	(18.5)	(26)	0.8	(108)	(140)	(22.7)	
Pre-tax Profit	352	103	240.9	246	43.2	1,572	1,477	6.5	
Current taxation	(87)	(33)	159.6	(36)	144.0	(273)	(279)	(2.1)	
Minorities	(6)	5	(223.0)	(4)	43.8	(16)	(4)	259.4	
Net Profit	259	75	246.9	206	25.8	1,284	1,193	7.6	4Q18 net profit surged QoQ and YoY thanks to stronger revenue
EPS(Bt)	0.29	0.08	246.9	0.23	25.8	1.43	1.33	7.6	
Core Profit	219	25	773.7	138	58.5	1,014	834	21.7	
P/E ratio	4Q18	4Q17	YoY (ppts)	3Q18	QoQ (ppts)	2018	2017	YoY (ppts)	
Gross margin	37.6	28.7	8.9	30.77	6.8	34.7	33.6	1.1	
SG&A/sales	28.7	34.3	(5.6)	26.7	2.0	25.0	26.3	(1.3)	
Net profit margin	8.8	4.0	4.8	10.06	(1.3)	12.9	13.3	(0.4)	

Source: Company data, KGI Research

Corporate Governance Report of Thai Listed Companies



Companies with Excellent CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
EGCO	ELECTRICITY GENERATING	KTB	KRUNG THAI BANK	TISCO	TISCO FINANCIAL GROUP
KBANK	KASIKORNBANK	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING		
KKP	KIATNAKIN BANK	SCB	THE SIAM COMMERCIAL BANK		



Companies with Very Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
ADVANC	ADVANCED INFO SERVICE	ERW	THE ERAWAN GROUP	SCC	THE SIAM CEMENT
AOT	AIRPORTS OF THAILAND	GFPT	GFPT	SPALI	SUPALAI
AP	ASIAN PROPERTY DEVELOPMENT	IFEC	INTER FAR EAST ENGINEERING	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
BBL	BANGKOK BANK	LPN	L.P.N. DEVELOPMENT	SVI	SVI
BH	BUMRUNGRAD HOSPITAL	MINT	MINOR INTERNATIONAL	TASCO	TIPCO ASPHALT
BIGC	BIG C SUPERCENTER	PS	PRUKSA REAL ESTATE	TCAP	THANACHART CAPITAL
CK	CH. KARNCHANG	QH	QUALITY HOUSES	TMB	TMB BANK
CPALL	CP ALL	ROBINS	ROBINSON DEPARTMENT STORE	TRUE	TRUE CORPORATION
CPN	CENTRAL PATTANA	RS	RS		
DRT	DIAMOND ROOFING TILES	SAMART	SAMART CORPORATION		



Companies with Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
CENTEL	CENTRAL PLAZA HOTEL	HMPRO	HOME PRODUCT CENTER	MAKRO	SIAM MAKRO
DCC	DYNASTY CERAMIC	ILINK	INTERLINK COMMUNICATION	MODERN	MODERNFORM GROUP
GL	GROUP LEASE	KTC	KRUNGTHAI CARD	TRT	TIRATHAI
GLOW	GLOW ENERGY	MAJOR	MAJOR CINEPLEX GROUP	TVO	THAI VEGETABLE OIL

Companies classified Not in the three highest score groups

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	CHG	CHULARAT HOSPITAL	NOK	NOK AIRLINES
ANAN	ANANDA DEVELOPMENT	CKP	CK POWER	PACE	PACE DEVELOPMENT CORPORATION
BA	BANGKOK AIRWAYS	DTAC	TOTAL ACCESS COMMUNICATION	SAWAD	SRISAWAD POWER 1979
BCH	BANGKOK CHAIN HOSPITAL	GLOBAL	SIAM GLOBAL HOUSE	TMT	THAI METAL TRADE
BDMS	BANGKOK DUSIT MEDICAL SERVICES	GPSC	GLOBAL POWER SYNERGY	TPCH	TPC POWER HOLDING
BEM	BANGKOK EXPRESSWAY AND METRO	GUNKUL	GUNKUL ENGINEERING	WHA	WHA CORPORATION
BJCHI	BJC HEAVY INDUSTRIES	LPH	LADPRAO GENERAL HOSPITAL	WORK	WORKPOINT ENTERTAINMENT
CBG	CARABAO GROUP	MTLS	MUANGTHAI LEASING		

Source: www.thai-iod.com

Disclaimer: The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an assessment of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of such survey result.

Anti-corruption Progress Indicator

Level 5: Extended

Stock	Company name	Stock	Company name	Stock	Company name
CPN	CENTRAL PATTANA	SCC	THE SIAM CEMENT		

Level 4: Certified

Stock	Company name	Stock	Company name	Stock	Company name
ADVANC	ADVANCED INFO SERVICE	IFEC	INTER FAR EAST ENGINEERING	SVI	SVI
BBL	BANGKOK BANK	KBANK	KASIKORN BANK	TCAP	THANACHART CAPITAL
DCC	DYNASTY CERAMIC	KKP	KIATNAKIN BANK	TISCO	TISCO FINANCIAL GROUP
DRT	DIAMOND ROOFING TILES	KTB	KRUNG THAI BANK	TMB	TMB BANK
EGCO	ELECTRICITY GENERATING	MINT	MINOR INTERNATIONAL		
ERW	THE ERWAN GROUP	SCB	THE SIAM COMMERCIAL BANK		

Level 3: Established

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	DTAC	TOTAL ACCESS COMMUNICATION	PACE	PACE DEVELOPMENT CORPORATION
ANAN	ANANDA DEVELOPMENT	GFPT	GFPT	PS	PRUKSA REAL ESTATE
AP	ASIAN PROPERTY DEVELOPMENT	GL	GROUP LEASE	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING
BA	BANGKOK AIRWAYS	GLOW	GLOW ENERGY	ROBINS	ROBINSON DEPARTMENT STORE
BDMS	BANGKOK DUSIT MEDICAL SERVICES	GPSC	GLOBAL POWER SYNERGY	SAMART	SAMART CORPORATION
BIGC	BIG C SUPERCENTER	HMPRO	HOME PRODUCT CENTER	SPALI	SUPALAI
BJCHI	BJC HEAVY INDUSTRIES	KTC	KRUNGTHAI CARD	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
CENEL	CENTRAL PLAZA HOTEL	LPN	L.P.N. DEVELOPMENT	TASCO	TIPCO ASPHALT
CHG	CHULARAT HOSPITAL	MAKRO	SIAM MAKRO	TMT	THAI METAL TRADE
CK	CH. KARNCHANG	MODERN	MODERNFORM GROUP	TPCH	TPC POWER HOLDING
CKP	CK POWER	NOK	NOK AIRLINES	WHA	NOK AIRLINES

Level 2: Declared

Stock	Company name	Stock	Company name	Stock	Company name
AOT	AIRPORTS OF THAILAND	GUNKUL	GUNKUL ENGINEERING	QH	QUALITY HOUSES
BH	BUMRUNGRAD HOSPITAL	ILINK	INTERLINK COMMUNICATION	TRT	TIRATHAI
GLOBAL	SIAM GLOBAL HOUSE	MTLS	MUANGTHAI LEASING	TVO	THAI VEGETABLE OIL

Level 1: Committed

Stock	Company name	Stock	Company name	Stock	Company name
CBG	CARABAO GROUP	RS	RS	SAWAD	SIRISAWAD POWER 1979
MAJOR	MAJOR CINEPLEX GROUP				

No progress

Stock	Company name	Stock	Company name	Stock	Company name
BCH	BANGKOK CHAIN HOSPITAL	CPALL	CP ALL	WORK	WORKPOINT ENTERTAINMENT
BEM	BANGKOK EXPRESSWAY AND METRO	LPH	LADPRAO GENERAL HOSPITAL		

Source: www.cgthailand.org

Disclaimer: The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by the relevant institution as disclosed by the Office of the Securities and Exchange Commission, is made in order to comply with the policy and sustainable development plan for the listed companies. The relevant institution made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of the assessment result.

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Rating	Definition
Outperform (OP)	The stock's excess return over the next twelve months is ranked in the top 40% of KGI's coverage universe in the related market (e.g. Taiwan)..
Neutral (N)	The stock's excess return over the next twelve months is ranked in the range between the top 40% and the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan)
Under perform (U)	The stock's excess return over the next twelve months is ranked in the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan).
Not Rated (NR)	The stock is not rated by KGI.
Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances. <i>Excess return = 12M target price/current price-</i>
Note	When an analyst publishes a new report on a covered stock, we rank the stock's excess return with those of other stocks in KGI's coverage universe in the related market. We will assign a rating based on its ranking. If an analyst does not publish a new report on a covered stock, its rating will not be changed automatically.

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