FINANSIA
ALWAYS A STEP AHEAD

3 May 2019

Earnings Preview

MAJOR (MAJOR TB)

Major Cineplex Group

Current	Previous	Close	2019 TP	Exp Return	THAI CAC	CG 2018
BUY	BUY	28.75	33.00	+15%	N/A	4

Consolidated earnings

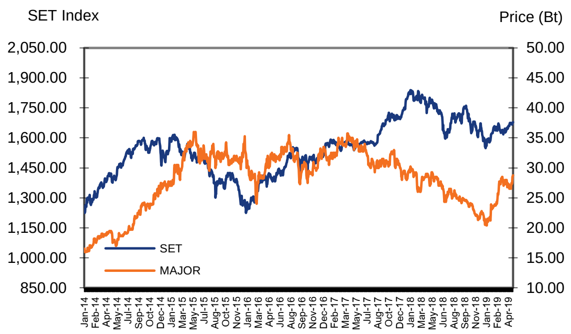
BT (mn)	2017	2018	2019E	2020E
Normalized earnings	822	972	1,231	1,326
Net profit	1,193	1,284	1,391	1,486
Normalized EPS (Bt)	0.92	1.09	1.38	1.48
Reported EPS (Bt)	1.33	1.44	1.56	1.66
% Norm EPS growth	-18.5	18.3	26.6	7.7
Dividend (Bt)	1.25	1.30	1.40	1.49
BV/share (Bt)	7.17	7.28	7.43	7.60
EV/EBITDA (x)	13.5	11.9	10.6	10.0
PER (x)	21.6	20.0	18.5	17.3
PER (x) - normalized	31.3	26.5	20.9	19.4
PBV (x)	4.0	4.0	3.9	3.8
Dividend yield (%)	4.3	4.5	4.9	5.2
ROE (%)	12.6	14.7	18.1	19.1
YE No. of shares (million)	895	895	895	895
Par (Bt)	1	1	1	1

Source: Company data, FSS estimates

Share data

Sector	Media & Publishing
Close (02/05/2019)	28.75
SET Index	1,679.17
Foreign limit/actual (%)	49.00/38.60
Paid up shares (million)	894.67
Free float (%)	60.61
Market cap (Bt m)	25,721.69
Avg daily T/O (Bt m) (2019 YTD)	80.86
hi, lo, avg (Bt) (2019 YTD)	29.00, 20.20, 26.49

Source: Setsmarts



Source: SET

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1Q19 normalized earnings set to decrease Q-Q and increase Y-Y

Our forecast calls for MAJOR's 1Q19 normalized earnings to decrease 10.5% Q-Q due to seasonality and the high base in 4Q18. Moreover, it implies a strong growth of 33.5% Y-Y thanks to several money-making movies. However, MAJOR's net profit looks set to sharply decrease Y-Y due to the large extra gain booked in 1Q18. In 2Q19, MAJOR is in its high season because several blockbusters will be on screen in this quarter. For example, Avengers: Endgame's 10-day sales have already smashed its prequel's record. Given that, we have raised our 2019-2020E normalized earnings by 5-7%, respectively. Similarly, we have revised up our 2019 TP to Bt33 from Bt31 (DCF). At the current share price, it implies an upside of 15%. Moreover, the stock offers fairly constant and decent dividend yield of 5%. Hence, we retain our BUY rating on MAJOR.

Expect 1Q19 normalized earnings to decrease 10.5% Q-Q and jump 33.5% Y-Y

Our forecast calls for MAJOR's 1Q19 normalized earnings to amount to Bt198mn (-10.5% Q-Q, +33.5% Y-Y). The Q-Q decrease is expected to be in line with seasonality and due to the high base in 4Q18. The strong Y-Y increase is likely to attribute to strong revenue growth because we expect ticket sales (which accounts for 55% of total revenues) to jump 19.8% Y-Y (-28.6% Q-Q). During the quarter, MAJOR had five money-making movies, three Hollywood and two Thai. Together they helped support concession sales to jump 13.7% Y-Y (-26.4% Q-Q) and advertising sales to surge 12.2% Y-Y (-2.2% Q-Q). In 1Q19, we expect gross margin to widen to 35.6% (vs. 31.8% in 1Q18). However, it is down from 37.6% in 4Q18 due to a rise in depreciation expense after new cinemas. Furthermore, we expect the gross margin of the company's ad media business to temporarily decrease due to increased production cost. Including an extra gain of Bt25mn from sales of investment, we expect MAJOR's net profit at Bt223mn. It implies sharp losses of 13.9% Q-Q and 21.5% Y-Y because the company booked large extra gain of Bt136mn in 1Q18.

Avengers: Endgame craze supports 2Q19 profit, Revise up estimate

After Avengers: Endgame was put on screen on April 24, 2019, the movie had recorded Bt550mn in revenues in a period of 10 days, i.e. until May1. This is already higher than its prequel, i.e. Avengers: Infinity War which posted revenues of Bt480mn throughout its screening. Given that, we have raised our 2019-2020E normalized earnings by 5-7%, respectively. After which, our 2019 forecast now implies a jump of 27% Y-Y. After Avengers: Endgame, MAJOR's lineup for this year includes The Lion King, Spider-Man: Far from Home, Hobbs and Shaw, Maleficent 2, Frozen 2, X-Men, Terminator, and Star Wars: Episode IX.

Maintain BUY rating after 2019 TP raised to Bt33

Similarly, we have increased our 2019 TP to Bt33 from Bt31 (DCF). At the current share price, MAJOR implies an upside of 15%. Moreover, the stock offers fairly constant and decent dividend yield of 5%. Hence, we retain our BUY rating on MAJOR.

Risks: Slower-than-expected economic recovery, lower-than-expected popularity in MAJOR's movie lineup, increased popularity in online movie, e.g. Netflix

1Q19 Earnings Preview

(□t □n)	1Q19E	4Q18	% Q-Q	1Q18	% Y-Y
Service revenu□	2,269	2,951	-23.1	1,950	16.4
Cost of □services	1,461	1,841	-20.7	1,330	9.8
Gross profit	809	1.110	-27.1	620	30.4
SG&A	□ 601	848	-29.1	520	15.7
Norm profit	198	221	-10.5	148	33.5
Net profit	223	259	-13.9	284	-21.5
Gross margin (%)	35.6	37.6	-2.0	31.8	3.8
Norm profit margin (%)	8.7	7.5	1.2	14.6	1.1
Net profit margin (%)	9.8	8.8	1.1	7.6	-4.7

Source: FSS Estimates

Income Statement (Consolidated)

(Bt mn)	2016	2017	2018	2019E	2020E
Revenue	8,745	8,972	9,952	11,612	12,374
Cost of sale	5,580	5,958	6,499	7,499	7,955
Gross profit	3,105	3,013	3,453	4,113	4,419
SG&A costs	2,202	2,291	2,491	2,903	3,094
Other income	144	192	127	174	186
EBIT	1,107	914	1,089	1,384	1,511
EBITDA	2,279	2,205	2,398	2,733	2,900
Interest charge	144	140	108	109	110
Equity income	256	231	262	289	318
Normalized earnings	1,009	822	972	1,231	1,326
Extraordinary items	179	372	312	160	160
Net profit	1,188	1,193	1,284	1,391	1,486

Cash Flow Statement (Consolidated)

(Bt mn)	2016	2017	2018	2019E	2020E
Net profit	1,188	1,193	1,284	1,391	1,486
Depreciation etc.	1,172	1,291	1,309	1,348	1,389
Change in work capital	-271	13	809	-17	54
Other adjustments	-435	-603	-574	-422	-422
Cash flow from operation	1,654	1,894	2,828	2,300	2,507
Cash flow from investing	-1,330	-531	-1,589	-1,154	-1,123
Net borrowings	920	-210	-130	14	-97
Equity capital raised	34	2	0	0	0
Dividends paid	-1,072	-1,118	-1,123	-1,252	-1,337
Others	13	4	37	10	11
Cash flow from financing	-104	-1,321	-1,216	-1,228	-1,424
Net change in cash	219	42	23	-82	-40

Balance Sheet (Consolidated)

(Bt mn)	2016	2017	2018	2019E	2020E
Cash	531	573	596	514	474
Accounts receivable	1,256	1,182	1,161	1,368	1,458
Inventory	319	319	321	411	436
Other current assets	244	188	171	232	247
Total current assets	2,350	2,263	2,249	2,525	2,615
PPE	7,591	7,492	7,242	6,892	6,542
Other assets	1,213	967	1,122	1,277	1,361
Total Assets	14,725	13,808	14,074	14,156	13,980
Short-term loans	3,138	1,460	1,418	1,418	1,418
Account payable	1,761	1,675	2,453	2,773	2,942
Current maturities	1,337	659	588	588	588
Other current liab.	183	153	212	232	247
Total current liab.	6,420	3,946	4,671	5,012	5,196
Long-term debt	764	2,605	1,906	1,317	729
Other non-cur liab.	823	758	865	1.045	1.114
Total liabilities	8,007	7,309	7,442	7,374	7,039
Registered capital	896	896	896	896	896
Paid up capital	895	895	895	895	895
Share premium	4,347	4,349	4,349	4,349	4,349
Legal reserve	91	91	91	91	91
Retained earnings	1,321	1,397	1,557	1,697	1,845
Minority Interests	81	85	123	132	143
Shareholders' equity	6,637	6,499	6,632	6,781	6,941

Source: Company data, FSS research

Important Ratios (Consolidated)

	2016	2017	2018	2019E	2020E
Growth (%)					
Sales	1.9	2.6	10.9	16.7	6.6
EBITDA	-3.0	-3.2	8.7	14.0	6.1
Net profit	1.4	0.5	7.6	8.4	6.8
Normalized earnings	2.9	-18.5	18.3	26.6	7.7
Profitability Ratios (%)					
Gross profit margin	36.2	33.6	34.7	35.4	35.7
EBITDA margin	26.1	24.6	24.1	23.5	23.4
EBIT margin	12.7	10.2	10.9	11.9	12.2
Normalized profit margin	11.5	9.2	9.8	10.6	10.7
Net profit margin	13.6	13.3	12.9	12.0	12.0
Normalized ROA	6.8	6.0	6.9	8.7	9.5
Normalized ROE	15.2	12.6	14.7	18.1	19.1
Normalized ROCE	13.3	9.3	11.6	15.1	17.2
Risk (x)					
D/E	0.9	0.8	0.7	0.6	0.6
Net D/E	0.8	0.8	0.6	0.6	0.5
Net debt/EBITDA	3.3	3.1	2.9	2.6	2.3
Per share data (Bt)					
Reported EPS	1.33	1.33	1.44	1.56	1.66
Normalized EPS	1.13	0.92	1.09	1.38	1.48
EBITDA	2.55	2.47	2.68	3.05	3.24
Book value	7.42	7.17	7.28	7.43	7.60
Dividend	1.20	1.25	1.30	1.40	1.49
Par (Bt)	1.0	1.0	1.0	1.0	1.0
Valuations (x)					
P/E	21.6	21.6	20.0	18.5	17.3
Normalized P/E	25.5	31.3	26.5	20.9	19.4
P/BV	3.9	4.0	4.0	3.9	3.8
EV/EBITDA	13.9	13.5	11.9	10.6	10.0
Dividend yield (%)	4.2	4.3	4.5	4.9	5.2

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Khonkaen

Khonkaen 3
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Tumbon Nai Meung,
Aumphoe Meung Khonkaen,
Khonkaen

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

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Chang Klan R., Chang Klan
Muang
Chiangmai

Chiangmai 2
310 Chiang Mai Land,
Chang Klan R., Chang Klan
Muang
Chiangmai

Chiangmai 3
Maliplace Building 32/4 moo 2
1 fll., Room B1-1, B1-2
Tumbon Maehia
Chiangmai

Chiangrai
353/15 Moo 4,
Tumbon Rimkok
Aumphoe Muang, Cheangrai

Measai
119 Moo 10,
Tumbon Maesai,
Aumphoe Muang, Cheangrai

Nakornratchasima
1242/2 Room A3, 7 fl.,
The Mall Ratchasima
Mittraphap rood Tumbon Nai Muang
Aumphoe Muang Nakornratchasima
Nakornratchasima

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Trang
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Tumbon Thaptieng,
Aumphoe Meungtrang, Trang

Suratthani
173/83-84 Moo 1
Watpho-Bangyai Road.,
Tumbon Makamtia,
Aumphoe Mueang, Suratthani

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

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.