MAJOR (MAJOR TB)

Major Cineplex Group

Current	Previous	Close	2019 TP	Exp Return	THAI CAC	CG 2018
BUY	BUY	29.25	33.00	+13%	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	1,291	1,386
Normalized EPS (Bt)	0.92	1.09	1.38	1.48
Reported EPS (Bt)	1.33	1.44	1.44	1.55
% Norm EPS growth	-18.5	18.3	26.6	7.7
Dividend (Bt)	1.25	1.30	1.30	1.39
BV/share (Bt)	7.17	7.28	7.42	7.58
EV/EBITDA (x)	13.8	12.1	10.8	10.2
PER (x)	21.9	20.4	20.3	18.9
PER (x) - normalized	31.8	26.9	21.3	19.7
PBV (x)	4.1	4.0	3.9	3.9
Dividend yield (%)	4.3	4.4	4.4	4.8
ROE (%)	12.6	14.7	18.2	19.2
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 (23/07/2019)	29.25
SET Index	1,724.87
Foreign limit/actual (%)	49.00/40.44
Paid up shares (million)	894.67
Free float (%)	52.61
Market cap (Bt m)	26,169.02
Avg daily T/O (Bt m) (2019 YTD)	82.34
hi, lo, avg (Bt) (2019 YTD)	30.75, 20.20, 27.42

Source: Setsmarts

2Q19 normalized earnings poised to surge Q-Q and increase Y-Y

Our forecast calls for MAJOR's 2Q19 normalized earnings to jump by 179.9% Q-Q due to seasonality and solid ticket sales, particularly from Avengers: Endgame. However, we expect it to increase by only 5.9% Y-Y due to the high base last year. In 3Q19, MAJOR's profit looks set to fall from this year's peak in 2Q19 and jump Y-Y thanks to strong movie lineup. We stand by our forecast which calls for 2019 normalized earnings to surge 27% Y-Y. However, MAJOR's 2019 net profit will be flat Y-Y since there were large extra items last year. MAJOR pays constant dividend at a yield of nearly 5%. In this regard, we expect the stock to pay an interim DPS of Bt0.65, implying a dividend yield of 2.2%. We retain our BUY rating on MAJOR at our 2019 TP of Bt33 (DCF).

Expect 2Q19 normalized earnings to jump 179.7% Q-Q and increase 5.9% Y-Y

Our forecast calls for MAJOR's 2Q19 normalized earnings to amount to Bt495mn. It implies a substantial growth rate of 179.9% Q-Q. However, it increases only 5.9% Y-Y due to the high base in 2Q18. The Q-Q surge is likely to be made possible by the strong movie lineup. In particular, Avengers: Endgame registered record-high box office sales of Bt750mn, while JohnWick 3, Godzilla2, and Aladdin recorded ticket sales of Bt140mn, Bt120mn, and Bt100mn, respectively. Given that, we expect ticket sales to jump 41.4% Q-Q and increase 4.0% Y-Y. Also, we expect concession sales to increase at similar rates, and ads income to be up by 1.5% Q-Q and 10.0% Y-Y. However, there was no extra item as in the previous quarters. Hence, we expect MAJOR's net profit to jump 140.9% Q-Q and decrease 7.3% Y-Y.

3Q19 normalized earnings set to decrease Q-Q but surge Y-Y

In 3Q19, MAJOR's movie lineup is strong. They include Spider-Man: Far from Home (which records ticket sales of nearly Bt300mn after its debut on July 3), The Lion King (which posted ticket sales of Bt40mn after its debut on July 17), Fast and Furious: Hobbs and Shaw (which will make its first public appearance at the end of this month), and several Thai films (including a GDH production), which are larger than last year. Besides, we expect ads income to jump Y-Y because some contracts were expired in 3Q18.

Maintain 2019E normalized earnings, Retain BUY rating at 2019 TP of Bt33

We stand by our 2019E normalized earnings of Bt1.23bn. It implies a strong growth rate of 27% Y-Y. However, MAJOR's net profit will be flat Y-Y since it booked large extra items last year. The stock pays constant dividend at a decent rate of nearly 5%. Hence, we retain our BUY rating on MAJOR at our 2019 TP of Bt33 (DCF).

Risks: Slower-than-expected economic growth, lower-than-expected popularity in the lineup, increased popularity in online movie, e.g. Netflix

2Q19 Earnings Preview

(Btmn)	2Q19E	1Q19	% Q-Q	2Q18	% Y-Y
Service revenu□	3,151	2,400	31.4	3,004	5.0
Cost of □services	1,991	1,609	23.2	1,911	3.7
Gross profit	1,160	791	48.1	1,083	7.2
SG&A	□ 600	609	-1.5	577	3.9
Norm profit	495	177	179.7	467	5.9
Net profit	495	206	140.9	534	-7.3
Gross margin (%)	37.2	33.0	4.2	36.4	0.8
Norm profit margin (%)	15.7	7.4	8.3	15.6	0.1
Net profit margin (%)	15.7	7.6	7.1	17.8	-2.1

Source: FSS Estimates

Analyst: Pornsook Amonvadeekul
Register No.: 004973
Tel.: +662 646 9964
email: pornnsook.a@fnsyrus.com
www.fnsyrus.com
Finansia Syrus Securities
@finansia
@fnsyrus

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	60	60
Net profit	1,188	1,193	1,284	1,291	1,386

Cash Flow Statement (Consolidated)

(Bt mn)	2016	2017	2018	2019E	2020E
Net profit	1,188	1,193	1,284	1,291	1,386
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	-322	-322
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	-86	-197
Equity capital raised	34	2	0	0	0
Dividends paid	-1,072	-1,118	-1,123	-1,162	-1,247
Others	13	4	37	10	11
Cash flow from financing	-104	-1,321	-1,216	-1,238	-1,434
Net change in cash	219	42	23	-92	-50

Balance Sheet (Consolidated)

(Bt mn)	2016	2017	2018	2019E	2020E
Cash	531	573	596	504	454
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	2,515	2,595
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	14,146	13,960
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	1,687	1,825
Minority Interests	81	85	123	132	143
Shareholders' equity	6,637	6,499	6,632	6,771	6,921

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	0.6	7.4
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	11.1	11.2
Normalized ROA	6.8	6.0	6.9	8.7	9.5
Normalized ROE	15.2	12.6	14.7	18.2	19.2
Normalized ROCE	13.3	9.3	11.6	15.2	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	2.5	2.3
Per share data (Bt)					
Reported EPS	1.33	1.33	1.44	1.44	1.55
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	7.42	7.58
Dividend	1.20	1.25	1.30	1.30	1.39
Par (Bt)	1.0	1.0	1.0	1.0	1.0
Valuations (x)					
P/E	22.0	21.9	20.4	20.3	18.9
Normalized P/E	25.9	31.8	26.9	21.3	19.7
P/BV	3.9	4.1	4.0	3.9	3.9
EV/EBITDA	14.1	13.8	12.1	10.8	10.2
Dividend yield (%)	4.1	4.3	4.4	4.4	4.8

Finansia Syrus Securities Public Company Limited

Head Office 999/9 The offices at Central World 18th, 25th Fl., Rama 1 Rd., Patumwan, Bangkok	**Alma Link** 9th, 14th, 15th Fl., Alma Link Building 25 Soi Chidlom, Ploenchit, Lumpini, Patumwan, Bangkok	**Amarin Tower** 496-502 Amarin Tower 20th Floor, Pleonchit, Lumpini, Pathumwan, Bangkok	**Central Pinklao 1** 7/129-221 Central Pinklao Office Building, Room 2160/1, 16th Fl., Baromratchonnanee Road, Arunamarin, Bangkoknoi, Bangkok	**Bangkapi** 3105 N Mark Building, 3rd Floor, Room A3R02, Ladprao Road, Klongjan, Bangkapi, Bangkok
Bangna 589 Tower 1 Office, 19th Floor, Room 589/105 Moo 12, Bangna-Trad Road, Bangna, Bangkok	**Sindhorn 1** 130-132 Sindhorn Building 1, 2rd Floor, Wireless Road, Lumpini, Pathumwan, Bangkok	**Kian Gwan (Sindhorn 2)** 140/1 Kian Gwan House II 18th Floor, Wireless Road, Lumpini, Pathumwan, Bangkok	**Ladprao** 555 Rasa Tower 2, 11st Floor, Unit 1106, Phaholyothin Road, Chatuchak, Bangkok	**Prachachuen** 105/1 B Building, 4th Floor, Thessabansongkhrao Road, Ladyao, Jutujak, Bangkok
Rang sit 1/832 Moo 17 Kukod, Lumlookka Pratumtanee	**Abdulrahim** 990, Abdulrahim Place, 12nd Fl., Room 1210, Rama IV Road, Silom, Bangrak, Bangkok	**Rattanatibet** 576 Rattanatibet Road, Tumbon Banggrasor, Aumphoe Muang, Nonthaburi	**Chaengwattana** 99, 99/9 Central Plaza Chaengwattana Office Tower Unit 2203, 22nd Fl. Moo 2, Chaengwattana Rd., Bangtalad, Pakkret, Nonthaburi	
Khonkaen 1 311/16 2nd Floor, Klangmeung Road, Tumbon Nai Meung, Aumphoe Meung, Khonkaen	**Khonkaen 3** 311/1 Khang Meung Road, Tumbon Nai Meung, Aumphoe Meung Khonkaen, Khonkaen	**Udonthani** 197/29, 213/3 Udon Dusadee Road, Tumbon Mak Khaeng, Aumphoe Muang Udon Thani, Udon Thani	**Chiangmai 1** 308 Chiang Mai Land, 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	**Samutsakorn** 813/30 Norrasing Road, Tumbon Maha Chai, Aumphoe Meungsamutsakorn, Samutsakorn
Online Phuket 22/18 Luangporwatchalong Road, Tumbon Talad Yai, Amphoe Muang Phuket, Phuket	**Hatyai** 106 Prachathipat Road, Aumphoe Hadyai, Songkhla	**Trang** 59/28 Huaiyod Road, 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

IOD (IOD Disclaimer)

The Corporate Governance Report (CGR) of Thai listed Companies is based on a survey and assessment of information which companies listed on the Stock Exchange of Thailand and the Market for Alternative Investment (**"listed companies"**) disclose to the public. The CGR is a presentation of information from the perspective of outsiders on the standards of corporate governance of listed companies. It is not any assessment of the actual practices of the listed companies, and the CGR does not use any non-public information. The CGR is not therefore an endorsement of the practices of the listed companies. It is not a recommendation for investment in any securities of any listed companies or any recommendation whatsoever. Investors should exercise their own judgment to analyze and consider any information relating to the listed companies presented in this CGR report. No representation or warranty is made by the Institute of Directors or any of its personnel as to the completeness or accuracy of the CGR report or the information used.

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.