

# MAJOR: The darkest before dawn



## Result

**We upgrade our recommendation to BUY rating, from HOLD, with new 2022E target price at Bt22.50, from Bt19.70, derived from 20.1xPE'22E, which is its 5-year trading average. We rerated the valuation to historical average, from 1 SD discount, previously.**

- MAJOR had net losses in 1Q21 at Bt120m, better than net losses of Bt255m in 1Q20 but fell from net profit of Bt328m in 4Q20
- While new wave of Covid eroded its revenue, MAJOR was still good in managing its expenses.
- 1Q21 revenue was Bt853m (-35%YoY, -36% QoQ).
- Gross profit margin fell to 12.1%, from 20.6% in 1Q20 and 30.7% in 4Q20.
- SG&A expenses was Bt361m, from Bt586m in 1Q20 and Bt574m in 4Q20.

**We think the worst is about to pass. People are craving for their old normal life. And MAJOR has a bunch of quality movies line-up await**

### Valuation table

Year end Dec	19A	20A	21E	22E	23E
PE (x)	10.9	nm	25.5	16.4	12.2
Recurring net profit growth (%)	18.2	nm	nm	55.1	34.5
Recurring EPS (Bt)	1.7	(0.4)	0.7	1.1	1.5
Recurring EPS growth (%)	18.2	nm	nm	55.1	34.5
PBV (x)	2.2	2.5	2.5	2.4	2.2
BVPS (Bt)	8.2	7.2	7.5	7.8	8.3
ROE (%)	19.4	(7.6)	9.8	14.7	18.8
DPS (Bt)	1.0	-	0.5	0.8	1.1
Dividend yield (%)	5.4	na	2.8	4.3	5.7
Enterprise value (Bt m)	22,434.7	22,804.3	21,611.7	20,678.0	19,051.5
EV-to-EBITDA (x)	6.0	25.1	9.8	7.6	6.0

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## Major Cineplex Group PCL

**Recommendation: BUY**

**Current price\*: Bt18.40**

**Target price 2022E: Bt22.50**

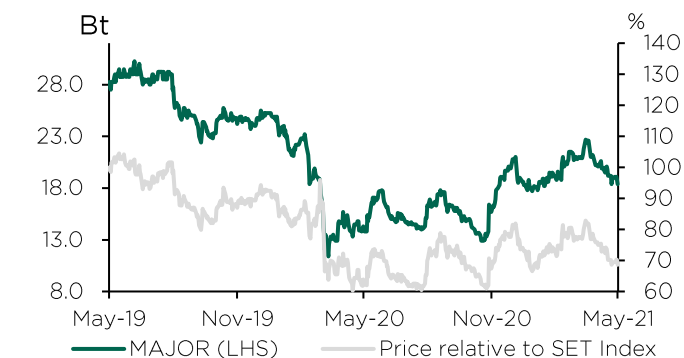
**Up/(downside): 22%**

**IOD: 4/5**

**CAC: N/A**

## Stock data

RIC code	MAJOR.BK
Index	.SETI
SET Index (14 May 2021)	1,549.48
Market cap (Bt m)	16,462
Shares outstanding (million)	895
Par (Bt)	1.00



# MAJOR: New wave of Covid hit 1Q21 earnings

(Bt m)	1Q20	2Q20	3Q20	4Q20	1Q21	YoY (%)	3M21	21E	% of 21E
Revenue	1,322	208	896	1,339	853	(35.4)	853	6,768	12.6
Cost of sales	(1,049)	(435)	(751)	(929)	(750)	(28.5)	(750)	(4,533)	16.6
<b>Gross profit</b>	<b>272</b>	<b>(227)</b>	<b>145</b>	<b>411</b>	<b>103</b>	<b>(62.2)</b>	<b>103</b>	<b>2,235</b>	<b>4.6</b>
SG&A	(586)	(432)	(371)	(574)	(361)	(38.3)	(361)	(1,773)	20.4
Other (exp)/inc	28	73	54	157	92	225.8	92	161	57.1
<b>EBIT</b>	<b>(286)</b>	<b>(586)</b>	<b>(172)</b>	<b>(7)</b>	<b>(167)</b>	<b>nm</b>	<b>(167)</b>	<b>622</b>	<b>(26.8)</b>
Finance cost	(56)	(38)	(26)	(55)	(70)	25.6	(70)	(208)	33.8
Other inc/(exp)	(7)	-	-	0	-	nm	-	16	-
<b>Earnings before taxes</b>	<b>(349)</b>	<b>(623)</b>	<b>(198)</b>	<b>(61)</b>	<b>(237)</b>	<b>nm</b>	<b>(237)</b>	<b>430</b>	<b>(55.2)</b>
Income tax	31	(13)	(13)	87	23	(25.7)	23	(86)	(26.9)
<b>Earnings after taxes</b>	<b>(318)</b>	<b>(636)</b>	<b>(211)</b>	<b>26</b>	<b>(214)</b>	<b>nm</b>	<b>(214)</b>	<b>344</b>	<b>(62.3)</b>
Equity income	72	165	85	417	94	30.8	94	319	29.5
Minority interest	(1)	11	1	1	8	nm	8	(16)	(51.1)
<b>Earnings from cont. operations</b>	<b>(246)</b>	<b>(460)</b>	<b>(124)</b>	<b>444</b>	<b>(111)</b>	<b>nm</b>	<b>(111)</b>	<b>647</b>	<b>(17.2)</b>
Forex gain/(loss) & unusual items	(9)	(15)	(1)	(116)	(9)	nm	(9)	-	na
<b>Net profit</b>	<b>(255)</b>	<b>(475)</b>	<b>(125)</b>	<b>328</b>	<b>(120)</b>	<b>nm</b>	<b>(120)</b>	<b>647</b>	<b>(18.6)</b>
Recurring profit	(246)	(460)	(124)	444	(111)	nm	(111)	647	(17.2)
EBITDA	105	(98)	181	743	229	117.9	229	2,202	10.4
Recurring EPS (Bt)	(0.275)	(0.514)	(0.139)	0.496	(0.124)	nm	(0.124)	0.723	(17.2)
Reported EPS (Bt)	(0.285)	(0.531)	(0.140)	0.366	(0.130)	nm	(0.134)	0.723	(18.6)
<b>Profits (%)</b>	<b>1Q20</b>	<b>2Q20</b>	<b>3Q20</b>	<b>4Q20</b>	<b>1Q21</b>	<b>Diff (%)</b>	<b>3M21</b>	<b>21E</b>	<b>Diff (%)</b>
Gross margin	20.6	(108.8)	16.2	30.7	12.1	(8.5)	12.1	33.0	21.0
Operating margin	(21.6)	(281.0)	(19.2)	(0.5)	(19.6)	2.1	(19.6)	9.2	28.8
Net margin	(19.3)	(227.9)	(14.0)	24.5	(14.1)	5.2	(14.1)	9.6	23.6

## Result summary

- MAJOR had net losses in 1Q21 at Bt120m, better than net losses of Bt255m in 1Q20 but fell from net profit of Bt328m in 4Q20
- While new wave of Covid eroded its revenue, MAJOR was still good in managing its expenses.
- 1Q21 revenue was Bt853m (-35%YoY, -36% QoQ).
- Gross profit margin fell to 12.1%, from 20.6% in 1Q20 and 30.7% in 4Q20, reflected scales effect.
- SG&A expenses was under-controlled at Bt361m, from Bt586m in 1Q20 and Bt574m in 4Q20.
- While we see downside to our 2021E projection, as 2Q21E should be in the losses, we believe MAJOR could eventually deliver profit in 2021E.
- We think the worst is about to pass, as Thailand is getting better in vaccine roll-out.
- Meanwhile, people are craving for their old normal life. At the same time, from MAJOR side, there are a bunch of quality movies line-up await.
- Thus, we upgrade our recommendation to BUY, as we rerated our valuation to historical average, from 1 SD discount, previously.

# MAJOR: Revenue breakdown

Story

Sales

P5F

Team

WCB

ESG

Value

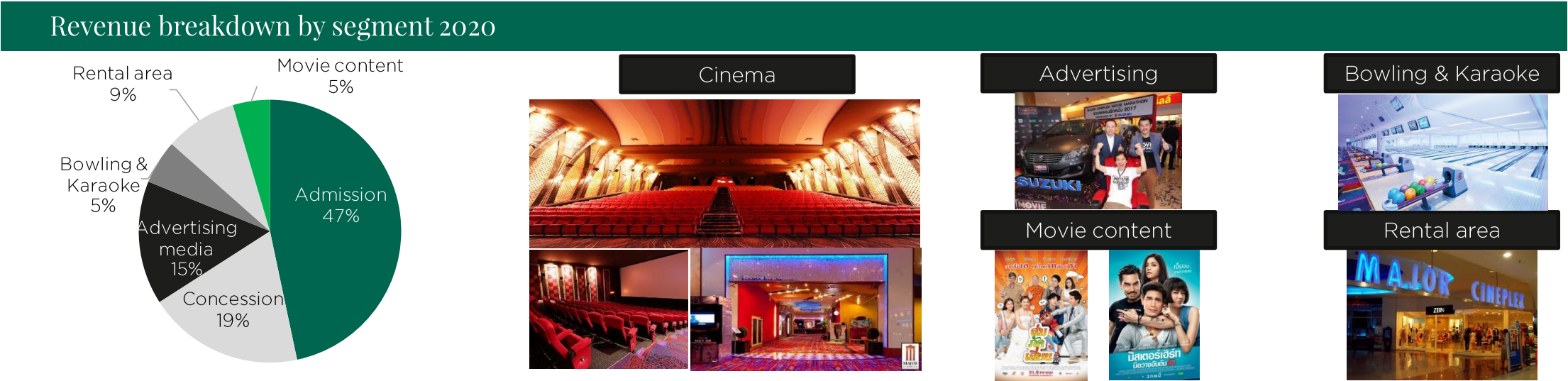
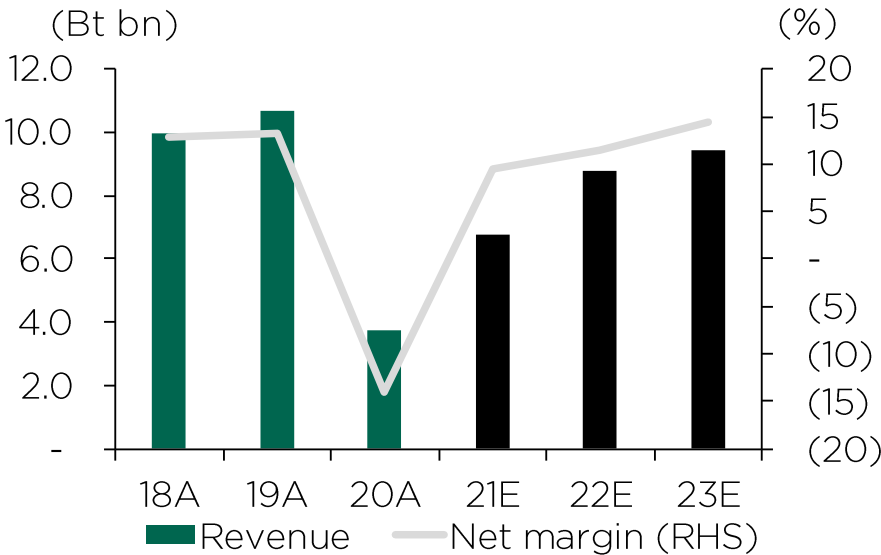
Risks

MAJOR operates cinema business under its verity brand. The company offer variety of watching movie service for customers such as RealD\*, 2D, 3D, 4DX, IMAX, Screen X. This segment accounts for 66% of its total revenue.

MAJOR'S Advertising and media agencies segment accounts for 15% of total revenue. It provides a wide range of services including cinema screen advertising and media, which is available throughout its Cineplex network.

MAJOR also operates a 10-pin bowling and karaoke business under its Blu-O Rhythm & Bowl brand. Currently, it has a total of 298 bowling lanes and 169 karaoke rooms. Moreover, it operates ice-skating rinks at five locations. This segment contributes 5% of its sales.

Others includes its rental business (which contributes 9% to its total sales) and its movie content (accounts for 5% of its total revenue).



# MAJOR: Summary financials

Story  
Sales

Profit & loss (Bt m)	19A	20A	21E	22E	23E	Mar '20	Jun '20	Sep '20	Dec '20	Mar '21
Revenue	10,697	3,765	6,768	8,785	9,416	1,322	208	896	1,339	853
Cost of goods sold	(6,849)	(3,164)	(4,533)	(5,935)	(6,067)	(1,049)	(435)	(751)	(929)	(750)
Gross profit	3,848	601	2,235	2,851	3,350	272	(227)	145	411	103
SG&A	(2,637)	(1,970)	(1,773)	(1,949)	(2,072)	(586)	(432)	(371)	(574)	(361)
Other (exp)/inc	268	297	161	171	172	28	73	54	157	92
Operating profit	1,479	(1,072)	622	1,072	1,450	(286)	(586)	(172)	(7)	(167)
Finance cost	(234)	(175)	(208)	(226)	(193)	(56)	(38)	(26)	(55)	(70)
Other inc/(exp)	19	15	16	14	27	(7)	-	-	0	-
Earnings before taxes	1,263	(1,231)	430	861	1,284	(349)	(623)	(198)	(61)	(237)
Income tax	(355)	93	(86)	(172)	(257)	31	(13)	(13)	87	23
After-tax profit	909	(1,139)	344	688	1,027	(318)	(636)	(211)	26	(214)
Equity income	680	740	319	340	356	72	165	85	417	94
Minorities	(27)	13	(16)	(25)	(34)	(1)	11	1	1	8
Earnings from cont. operations	1,561	(386)	647	1,003	1,349	(246)	(460)	(124)	444	(111)
Forex gain/(loss) & unusual items	(154)	(141)	-	-	-	(9)	(15)	(1)	(116)	(9)
Net income	1,407	(527)	647	1,003	1,349	(255)	(475)	(125)	328	(120)
Recurring EPS (Bt)	1.69	(0.43)	0.72	1.12	1.51	(0.28)	(0.51)	(0.14)	0.50	(0.12)
Weighted average shares (m)	895	895	895	895	895	895	895	895	895	895
Balance sheet (Bt m)	19A	20A	21E	22E	23E	Mar '20	Jun '20	Sep '20	Dec '20	Mar '21
Assets	17,868	17,678	19,446	20,805	19,443	17,366	17,615	17,268	17,678	17,974
Liabilities	10,388	11,052	12,610	13,642	11,842	10,111	11,179	10,942	11,052	11,457
Equity	7,334	6,482	6,676	6,977	7,382	7,096	6,295	6,176	6,482	6,371
Invested capital	7,309	6,161	4,860	3,913	2,369	7,256	6,530	6,566	6,161	6,302
Growth (YoY, %)	19A	20A	21E	22E	23E	Mar '20	Jun '20	Sep '20	Dec '20	Mar '21
Revenue	7.5	(64.8)	79.7	29.8	7.2	(44.9)	(93.4)	(63.5)	(49.8)	(35.4)
Operating income	37.2	(172.5)	158.1	72.3	35.2	(220.5)	(196.2)	(183.7)	(102.3)	41.6
Recurring EPS	18.2	(125.6)	267.4	55.1	34.5	(214.9)	(180.8)	(152.3)	15.2	54.8
Assets	0.5	(1.1)	10.0	7.0	(6.5)	25.0	26.1	27.5	(1.1)	3.5
Liabilities	(1.0)	6.4	14.1	8.2	(13.2)	43.4	54.2	51.9	6.4	13.3
Equity	2.5	(11.6)	3.0	4.5	5.8	5.8	(4.4)	(0.4)	(11.6)	(10.2)
Profits (%)	19A	20A	21E	22E	23E	Mar '20	Jun '20	Sep '20	Dec '20	Mar '21
Gross margin	36.0	16.0	33.0	32.4	35.6	20.6	(108.8)	16.2	30.7	12.1
Operating margin	13.8	(28.5)	9.2	12.2	15.4	(21.6)	(281.0)	(19.2)	(0.5)	(19.6)
Net margin	13.2	(14.0)	9.6	11.4	14.3	(19.3)	(227.9)	(14.0)	24.5	(14.1)
ROE	19.4	(7.6)	9.8	14.7	18.8	(14.1)	(28.4)	(8.0)	20.7	(7.5)
ROIC	13.7	(14.7)	9.0	19.6	36.9	(14.3)	(34.7)	(11.2)	(0.3)	(9.7)

# Disclaimer

## Investment ratings

<b>BUY:</b>	Expected return excluding dividends of more than 10% within the next 12 months.
<b>HOLD:</b>	Expected return excluding dividends between -10% and 10% within the next 12 months.
<b>SELL:</b>	Expected return excluding dividends of less than -10% within the next 12 months.
<b>NR:</b>	Not Rated- Stock is not in our research coverage.

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