

# Major Cineplex Group - MAJOR

## 4QCY11 earnings seen lower

Bloomberg | Reuters  
MAJO.TH | MAJOR9

Phillip Securities Research Pte Ltd  
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### Report type: Results Preview

#### Company Overview

MAJOR is Thailand's biggest cinema chain operator. Its other related businesses include bowling, retail space, advertising media and film distribution operated by its subsidiaries.

- We expect MAJOR to post a 4QCY11 net profit of Bt68m in line with our previous estimate.
- Due to the absence of the flooding impact, 1QCY12 is likely to be better than 4QCY11 as movies released during 1QCY12 have made more money. In y-y terms, whether the outlook in 1QCY12 will be better than 1QCY10 depends on how much money movies to be released in Feb-Mar 2012 will make and how long retail space rental business would continue to feel the impact from the flooding.
- We keep our CY11 net profit outlook for MAJOR at Bt769mn, flat y-y. We also expect MAJOR to achieve a profit of Bt878mn in CY12. Even though a lineup of movies to be released this year may not be as strong as last year, we believe branch expansion would continue to be a positive catalyst for revenue growth.
- We recommend a "TRADING BUY" on MAJOR with a target price of Bt16/share based on a P/E multiple of 16x.

#### What is the news?

4QCY11 earnings are expected to come in line with our previous view.

#### How do we view this?

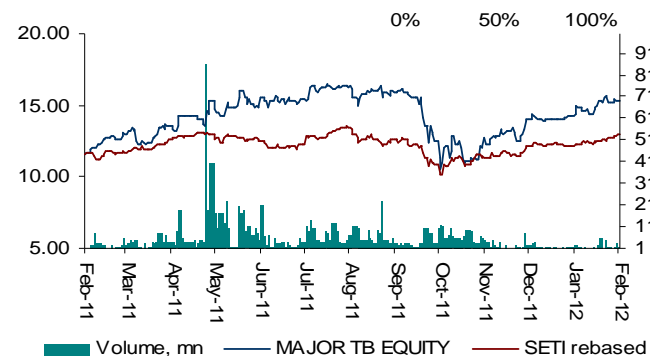
1QCY12 earnings are likely to be better than 4QCY11 but in y-y terms, much depend on how much money the movies released during the quarter will make.

#### Investment Actions?

Even though a lineup of movies to be released this year may not be as strong as last year, we believe branch expansion would continue to be a positive catalyst for revenue growth. P/E re-rating is also likely if the recovery is stronger than what we have thought. At current trading levels, we recommend a "TRADING BUY" on MAJOR with a target price of Bt16/share.

#### Major Cineplex Group

<b>Rating</b>	<b>2.00</b>	<b>Trading Buy</b>
- Previous Rating	2.00	Trading Buy
<b>Target Price (Bt)</b>	<b>16</b>	
- Previous Target Price (Bt)	16	
Closing Price (Bt)	15	
Expected Capital Gains (%)	4.6%	
Expected Dividend Yield (%)	5.6%	
<b>Expected Total Return (%)</b>	<b>10.1%</b>	
Raw Beta (Past 2yrs weekly data)	0.90	
Market Cap. (USD mn)	437	
Enterprise Value (USD mn)	518	
Market Cap. (Bt mn)	13,493	
Enterprise Value (Bt mn)	15,997	
3M Average Daily T/O (mn)	2.2	
52 week range	10.3 - 16.7	
Closing Price in 52 week range		



#### Major Shareholders

	(%)
1. Mr. Vicha Poolvaraluck	35.0
2. Thai NVDR Co., Ltd.	12.9
3. State Street Bank And Trust	9.3

#### Key Financial Summary

FYE	12/10	12/11	12/12F	12/13F
Revenue (Btmn)	6,021	6,773	7,232	7,754
Net Profit, adj. (Btmn)	762	769	878	988
EPS, adj. (Bt)	0.91	0.87	1.00	1.12
P/E (X),adj.	16.8	17.6	15.3	13.7
BVPS (Bt)	6.45	6.67	6.77	6.90
P/B (X)	2.4	2.3	2.3	2.2
DPS (Bt)	0.80	0.74	0.85	0.95
Div. Yield (%)	5.2	4.8	5.6	6.2

Source: Bloomberg, PSR est.

\*All multiples & yields based on current market price

#### Valuation Method

P/E12 (16x)

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#### **4QCY11 earnings seen lower, unchanged from previous view**

The 'Great Flood' in 4QCY11 affected several businesses of MAJOR and caused it to temporarily shut 90 cinema screens, accounting for 20,500 seats, or 24% and 23% of total cinema screens and seats respectively in flooded areas and close 146 bowling lanes, accounting for 30% of the total bowling lanes. Retail space rental business and Major Cineplex Lifestyle Property Fund (MJLF) were also affected by the impact of the flooding. However, movies released during 4QCY11 made more money than 4QCY10 and average ticket prices rose to Bt141 from Bt129. On this basis, we expect MAJOR's 4QCY11 cinema revenue to be up y-y. F&B revenue should also follow cinema revenue higher. For the quarter, ad revenue is projected to be up 24% y-y on the back of the improving industry conditions. In 4QCY11, MAJOR is also expected to earn sponsorship revenue from one movie produced by its subsidiary M39. VCD/DVD revenue is forecast to be flat q-q but down 26% y-y. For the quarter, total revenue is projected to be down 1% y-y to Bt1,441mn but the top-line figures are better than what we had previously estimated.

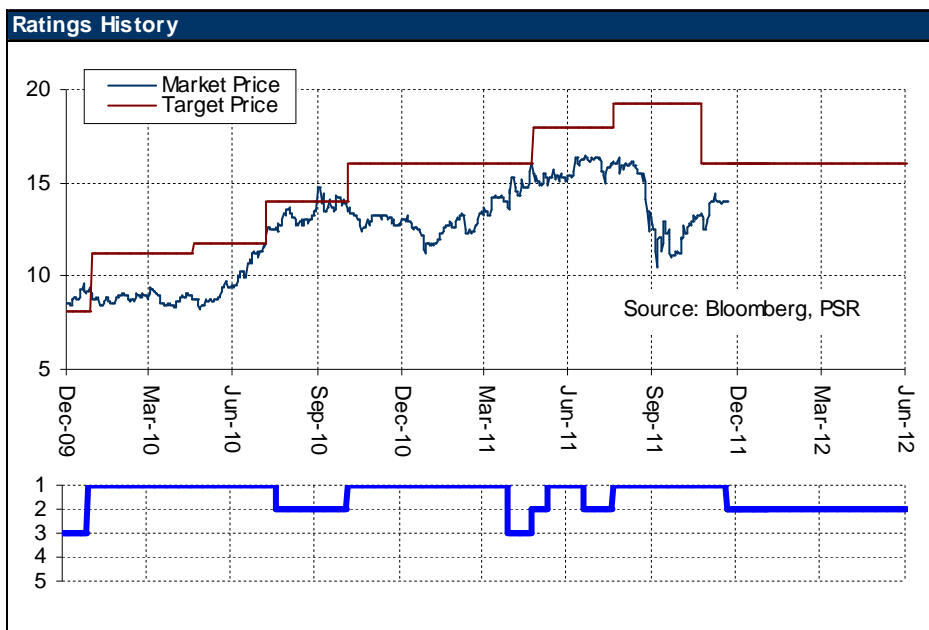
Costs and SG&A expenses are expected to fall more than revenues. In 4QCY11, the results are also expected to include a non-cash charge of around Bt70mn related to a reduction in deferred tax assets due to a lower corporate tax rate. Tax expenses are accordingly expected to be exceptionally high in 4QCY11. Overall we estimate MAJOR will post a 4QCY11 net profit of Bt68m in line with our previous estimate into which the above tax impact had not yet been incorporated. Excluding the above tax impact, the profit figures appear to be much better than previously thought.

#### **1QCY12 to be better than 4QCY11 but in y-y terms much depends on cinema revenues in Feb-Mar**

Due to the absence of the flooding impact, 1QCY12 is likely to be better than 4QCY11 as movies released during 1QCY12 have made more money i.e. 'ATM Er-rak Error,' 'Real Steel' and 'Bangkok Sweety' produced by MAJOR's subsidiary with the second episode 'Valentine Sweety' scheduled to be released this Feb and expected to make money like the first episode 'Bangkok Sweety.' Gross margin from cinema business should accordingly improve. In y-y terms, whether the outlook in 1QCY12 will be better than 1QCY10 depends on how much money movies to be released in Feb-Mar 2012 will make and how long retail space rental business would continue to feel the impact of the flooding.

#### **'TRADING BUY' rating with target price of Bt16/share**

We keep our CY11 net profit outlook for MAJOR at Bt769mn, flat y-y. We also expect MAJOR to achieve a profit of Bt878mn in CY12. Even though a lineup of movies to be released this year may not be as strong as last year, we believe branch expansion would continue to be a positive catalyst for revenue growth. MAJOR expects to add 53 more cinema screens this year to its portfolio of 373 screens at end-CY11 and open more digital cinema screens. In addition, more 3D movies would likely bring average ticket prices higher. Business expansion of its subsidiaries and increased holding in some affiliates would also mean higher profit contribution for MAJOR. In our view, P/E re-rating is likely if the recovery is stronger than what we have thought. At current trading levels, we recommend a "TRADING BUY" on MAJOR with a target price of Bt16/share based on a P/E multiple of 16x.



**Phillip Group Rating System**

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate/Trading Buy	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce/Trading Sell	4
> -20%	Sell	5

**Remarks**

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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