

Major Cineplex Group - MAJOR

CY12 net profit short of forecast on MPIC's loss

Report type: Company Results

Company Overview

MAJOR is Thailand's biggest cinema chain operator by market share at 80%. Its other related businesses include bowling, retail space, advertising media and film distribution operated by its subsidiaries.

- MAJOR's CY12 net profit was short of forecast due to consolidated loss from MPIC and provision for goodwill write-down.
- MAJOR announced to pay 2HCY12 dividend of Bt0.48 and the stock will go ex-dividend on Feb 28.
- MAJOR is in process of restructuring MPIC and we are optimistic MPIC's earnings would see notable improvement this year.
- We keep our CY13 earnings outlook unchanged. At current share prices, we rate MAJOR an 'ACCUMULATE' with a target price of Bt23.70/share.

What is the news?

MAJOR registered net profit of Bt811.14mn in 2012, still lower than forecast. The company booked as much as Bt173mn loss from MPIC and CAWOW in 4QCY12 amid Bt124mn gains from selling shares in SF, which attributed to quarterly net profit of Bt165.02mn. MAJOR announced to pay 2HCY12 dividend of Bt0.48/share and the stock will go ex-dividend on Feb 28.

For CY13, MAJOR continues its aggressive business expansion plan. The company will open 119 theatres, adding to a total of 532. In overseas, MAJOR will increase 61 bowling lanes in India from 121 at end-2012.

How do we view this?

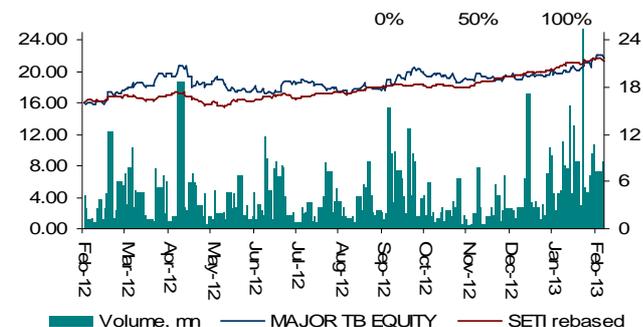
As there appeared to be a lack of blockbuster movies (as of Feb 17), cinema revenue is expected to soften. However, large production films, including Thai films, will be released from 2QCY13 onwards, which will become a key growth driver this year.

Investment Actions?

We keep our CY13 earnings outlook unchanged. At current share prices, we rate MAJOR an 'ACCUMULATE' with a target price of Bt23.70/share, based on P/E of 20x.

Major Cineplex Group

Rating	2.00	Accumulate
- Previous Rating	2.00	Trading Buy
Target Price (Bt)	23.70	
- Previous Target Price (Bt)	21.30	
Closing Price (Bt)	21.70	
Expected Capital Gains (%)	9.2%	
Expected Dividend Yield (%)	4.9%	
Expected Total Return (%)	14.1%	
Raw Beta (Past 2yrs weekly data)	0.97	
Market Cap. (USD mn)	646	
Enterprise Value (USD mn)	726	
Market Cap. (Bt mn)	19,260	
Enterprise Value (Bt mn)	21,719	
3M Average Daily T/O (mn)	5.3	
52 week range	15.7 - 22.5	
Closing Price in 52 week range		



Major Shareholders

	(%)
1. Mr. Vicha Poolvaraluck	36.1
2. Thai NVDR Co., Ltd.	9.4
3. State Street Bank And Trust	7.5

Key Financial Summary

FYE	12/11	12/12	12/13F	12/14F
Revenue (Btmn)	6,748	6,965	7,447	8,049
Net Profit (Btmn)	782	811	1,048	1,154
EPS (Bt)	0.89	0.92	1.19	1.31
Net Profit, adj. (Btmn)	782	626	1,048	1,154
EPS, adj. (Bt)	0.89	0.71	1.19	1.31
P/E (X),adj.	24.4	30.6	18.2	16.6
BVPS (Bt)	6.87	7.19	7.38	7.59
P/B (X)	3.2	3.0	2.9	2.9
DPS (Bt)	0.82	0.87	1.07	1.18
Div. Yield (%)	3.8	4.0	4.9	5.4

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

P/E13 (20x)

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CY12 net profit misses forecast dragged by loss in MPIC

MAJOR registered lower-than-expected net profit of Bt811.14mn in CY12 as the company booked equity loss from its subsidiary MPIC and loss from CAWOW, despite gain on selling shares in SF. In 4QCY12, MAJOR posted net profit of Bt165.02mn.

Total revenue grew 26.03% y-y to Bt1,784mn in 4QCY12, driven largely by notable revenue growth in cinema, food & beverage, and bowling as MAJOR was forced to temporarily shut down 90 theatres during severe flood in late 2011, accounting for 24% of the total. Operating cost saw the increases as MPIC booked Bt122mn inventory impairment as well as MVD's goodwill write-down worth Bt149mn, dragging MPIC to face net loss of Bt271mn in 4QCY12. Of this MAJOR consolidated equity loss from MPIC worth Bt133mn (Bt83mn from MPIC's operating loss and Bt50mn impairment). Furthermore, SF and MJLF booked loss after CAWOW ended the long-term tenant, resulting both equity income contributed to MAJOR falling by Bt40mn. Nonetheless, MAJOR booked Bt124mn gain from divestment of SF. Excluding extra gains, MAJOR's operating profit of Bt214mn beat our forecast in the quarter.

MAJOR announced to pay 2HCY12 dividend of Bt0.48/share, calculating to Bt0.87 for CY12 with quite an attractive 95% payout ratio. The stock will trade ex-dividend on Feb 28 and payment on May 2.

MPIC's restructuring to improve operating performance and not to become a drag on MAJOR's earnings

MAJOR has been in the process to restructure its subsidiary MPIC. MAJOR plans to spin off the VCD/DVD production unit, but it still keeps VCD/DVD distribution unit and cinema copyright acquisition business as well as M39's film production unit. The company is mulling to join its affiliate M Channel (in which MAJOR holds 45% stake) running satellite TV business and its subsidiary Talent One (owned 80% shares) engaging in entertainment media publishing house with MPIC. Looking at MPIC's fundamentals, we are optimistic provision set in 4QCY12 appears to be sufficed and it is unlikely to require more provision in the near future.

Abundant blockbuster movies to be released from 2QCY13 onwards

Ticket sales as of Feb 17 remained lackluster y-y due to an absence of big production films. However, two blockbuster movies—Jack the Giant Slayer and Oz: The Great and Powerful—are scheduled to be released on Feb 28 and Mar 7 respectively, which will likely generate impressive revenue. Furthermore, more large production films such as G.I. Joe: Retaliation, Iron Man 3, The Fast and Furious 6, The Wolverine, Thor: The Dark World, and The Hobbit: The Desolation of Smaug, including Thai films—The Legend of King Naresuan Part IV: The Nanda Bayin War, Tom Yam Kung 2 and M39's upcoming 8 produced movies are due to be released from 2QCY13 onwards.

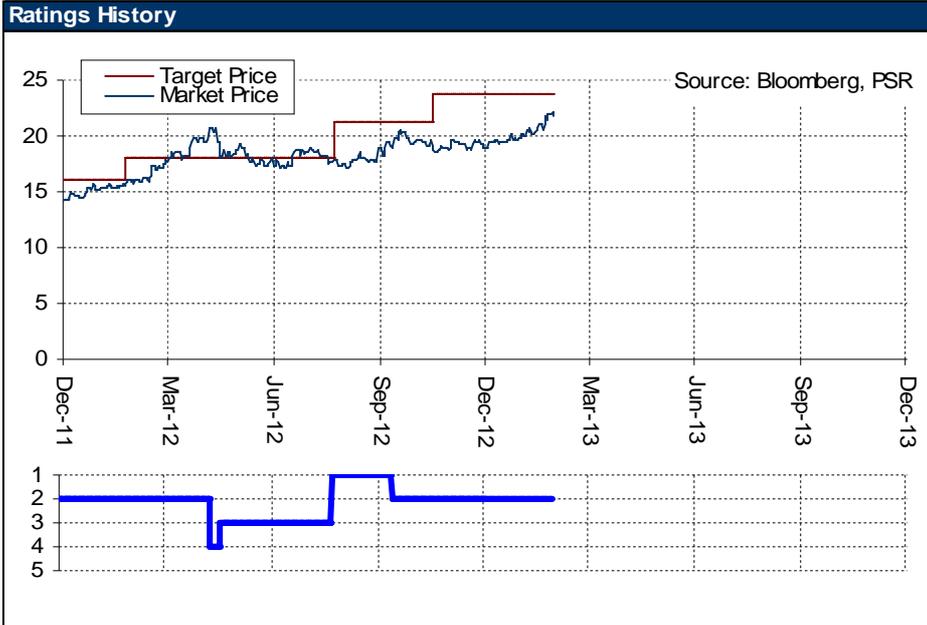
New 119 theatres on the table and more bowling lanes in India

MAJOR continues to pursue its aggressive plan on opening 119 new theatres in 2013, adding to a total of 532. A number of digital theatres will increase from 200 to 400 this year. The company also plans to expand its business in overseas. Recently, MAJOR joined hand with Aeon to enter into cinema business in Cambodia which is expected to generate revenue in 2014 the soonest. In India, MAJOR will open 61 bowling lanes from 121 at end-2012. Back to home, MAJOR will launch 16 lanes at Hat Yat from 94 at end-2012.

CY13 net profit maintained

We keep our CY13 net profit projection unchanged at Bt1,048.10mn on revenue forecast of Bt7,447mn. We re-rate P/E multiple to 20x, in line with peers, with a target price of Bt23.70 and dividend is expected at Bt1.07/share. At current share prices, we rate MAJOR an 'ACCUMULATE'.

MAJOR (Bt mn)	4QCY12	3QCY12	4QCY11	y-y +/-	q-q +/-	2012	2011	y-y +/-
Total revenue	1,784.47	1,725.41	1,415.94	26.03%	3.42%	6,965.26	6,748.13	3.22%
Admissions	871.43	844.50	653.03	33.44%	3.19%	3,397.60	3,393.64	0.12%
Concessions sales	254.55	218.28	156.35	62.81%	16.62%	914.19	812.36	12.54%
Bowling & karaoke	122.36	112.95	91.34	33.96%	8.33%	451.33	440.62	2.43%
Rentals services	121.93	123.85	113.56	7.37%	-1.55%	504.62	465.13	8.49%
Ad. services	249.49	233.03	217.99	14.45%	7.06%	870.86	766.24	13.65%
Sales of VCD & film right	164.51	192.80	183.68	-10.44%	-14.67%	826.66	852.28	-3.01%
Total cost	1,233.39	1,165.03	933.91	32.07%	5.87%	4,717.43	4,417.46	6.79%
Film exhibition & theatre	711.84	707.86	530.42	34.20%	0.56%	2,767.38	2,711.33	2.07%
Concessions	86.97	76.78	59.87	45.28%	13.28%	324.73	293.99	10.46%
Ad. Services	32.72	37.49	25.72	27.20%	-12.74%	132.17	88.44	49.44%
Bowling & karaoke	82.69	74.66	73.59	12.36%	10.76%	302.46	311.77	-2.99%
Rentals services	101.02	99.54	93.58	7.95%	1.49%	401.85	347.62	15.60%
Sales of VCD & film right	226.00	168.70	150.73	49.93%	33.97%	788.85	651.88	21.01%
Gross profit	551.08	560.38	482.03	14.32%	-1.66%	2,247.83	2,330.67	-3.55%
SG&A	483.78	386.65	395.28	22.39%	25.12%	1,666.89	1,516.97	9.88%
Operating profit	67.30	173.73	86.75	-22.42%	-61.26%	580.94	813.70	-28.60%
Other income	177.56	51.29	31.50	463.61%	246.16%	432.70	137.92	213.73%
Gain/loss from affiliate	7.58	48.80	26.26	-71.12%	-84.46%	157.19	212.33	-25.97%
EBIT	252.44	273.83	144.52	74.68%	-7.81%	1,170.83	1,163.95	0.59%
interest expense	33.94	29.84	35.23	-3.65%	13.74%	133.09	144.04	-7.60%
EBT	218.50	243.99	109.29	99.93%	-10.44%	1,037.74	1,019.91	1.75%
Tax	92.85	59.24	24.34	281.45%	56.74%	281.91	217.60	29.56%
EAT	125.66	184.75	84.95	47.92%	-31.99%	755.83	802.31	-5.79%
Minorities interest	-39.37	-10.38	4.30	-1016.13%	-279.43%	-55.31	20.64	-367.98%
Net profit	165.02	195.13	80.65	104.61%	-15.43%	811.14	781.67	3.77%
EPS (Bt)	0.19	0.22	0.09	103.60%	-15.43%	0.92	0.89	3.26%
Cost of sales/sales	69.12%	67.52%	65.96%	4.79%	2.36%	67.73%	65.46%	3.46%
Selling & admin exp/sales	27.11%	22.41%	27.92%	-2.89%	20.98%	23.93%	22.48%	6.46%
Gross margin	30.88%	32.48%	34.04%	-9.29%	-4.91%	32.27%	34.54%	-6.56%
Operating profit margin	3.77%	10.07%	6.13%	-38.44%	-62.54%	8.34%	12.06%	-30.83%
Net profit margin	9.25%	11.31%	5.70%	62.35%	-18.23%	11.65%	11.58%	0.54%
Balance sheet (Bt mn)								
Assets	11,501.99	11,193.90	10,987.84	4.68%	2.75%	11,501.99	10,987.84	4.68%
Liabilities	5,117.18	5,045.14	4,931.42	3.77%	1.43%	5,117.18	4,931.42	3.77%
Paid-up (m shrs) par Bt1	887.58	886.28	881.90	0.64%	0.15%	887.58	881.90	0.64%
Equities	6,384.81	6,148.76	6,056.42	5.42%	3.84%	6,384.81	6,056.42	5.42%
Book value/share(Bt)	7.19	6.94	6.87	4.75%	3.69%	7.19	6.87	4.75%
Debt/equity (x)	0.80	0.82	0.81	-1.57%	-2.32%	0.80	0.81	-1.57%



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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

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