

**DISCOUNTED CASH FLOW VALUATION OF MAJOR  
CINEPLEX GROUP PUBLIC COMPANY**



**A THEMATIC PAPER SUBMITTED IN PARTIAL  
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Thematic paper  
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**DISCOUNTED CASH FLOW VALUATION OF MAJOR  
CINEPLEX GROUP PUBLIC COMPANY**

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M.M. (FINANCIAL MANAGEMENT)

THEMATIC PAPER ADVISORY COMMITTEE: PIYAPAS THARAVANIJ, Ph.D.,  
VASAN SIRAPRAPASIRI, M.Sc., KAIPICHIT RUENGRICHAIYA, Ph.D.**ABSTRACT**

This thematic paper applied the Discounted cash flow Model (DCF) in order to value Major Cineplex Group Public Company (MAJOR) stock prices. DCF is considering as one of the most theoretically correct and applicable valuation method to determine the value of the stock because it was calculated the company's value from fundamental information by projecting its future cash flows and then using the Net Present Value (NPV) method to find the intrinsic value of those cash flows. Applying discount cash flow method to express the valuation of the company's stock price by forecasting free cash flow by using an appropriate assumption to forecast. As a result the Major Cineplex target price from Discounted cash flow is 36.84 THB, comparing to the current price of 27.25 THB, therefore we recommend BUY.

**KEY WORDS:** Major Cineplex / Valuation / Discounted Cash flow valuation / Business strategy

45 pages

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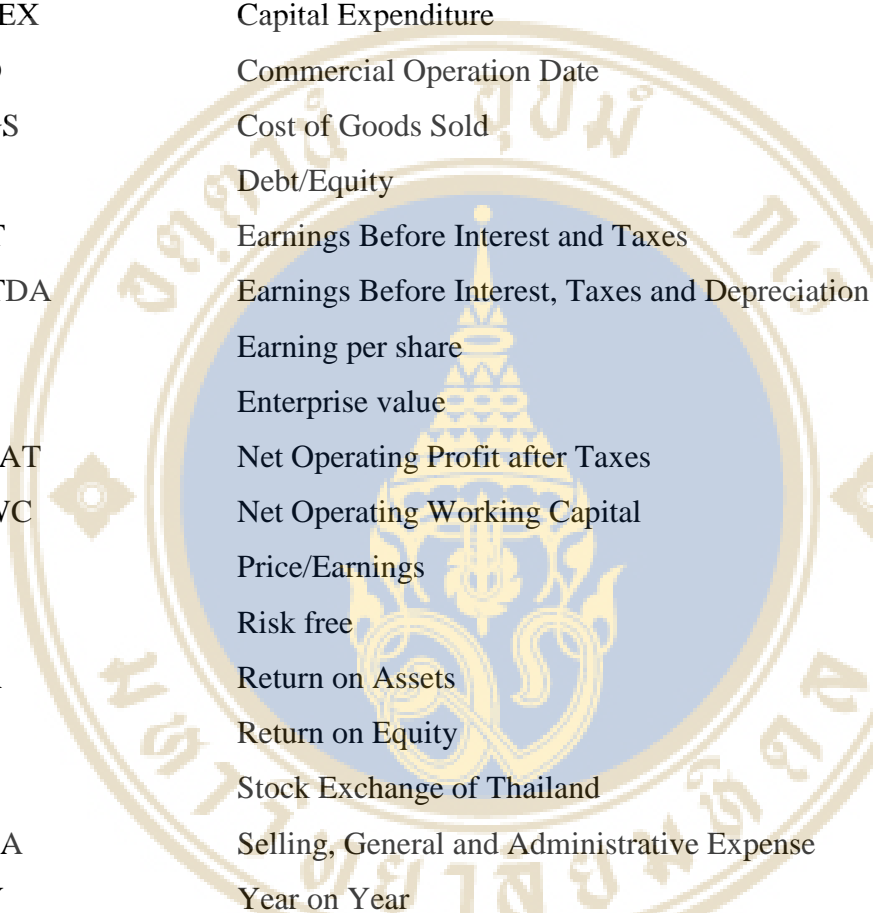
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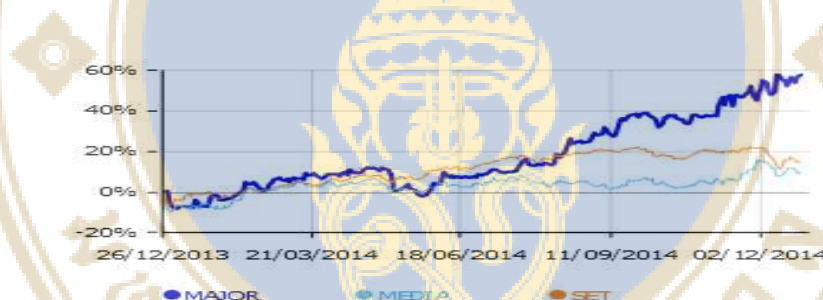
BV	Book value
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
COD	Commercial Operation Date
COGS	Cost of Goods Sold
D/E	Debt/Equity
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes and Depreciation
EPS	Earning per share
EV	Enterprise value
NOPAT	Net Operating Profit after Taxes
NOWC	Net Operating Working Capital
P/E	Price/Earnings
R <sub>f</sub>	Risk free
ROA	Return on Assets
ROE	Return on Equity
SET	Stock Exchange of Thailand
SG&A	Selling, General and Administrative Expense
YOY	Year on Year

## CHAPTER I VALUATION

### 1.1 Highlights

#### 1.1.1 Shining Star of the Best Amusement Complex Provider

With the various opportunities to grow, not only in Thai market but international field, MAJOR who is the biggest business operator in Thailand's lifestyle entertainment industry will be able to achieve the huge success in near future. The value of company is going to increase continuously overtime. Calculation of MAJOR's value by using DCF Model, the target price is at 36.84 Baht per share.



**Figure 1.1 Major Cineplex share prices**

#### 1.1.2 Enhancing Profitability

MAJOR's 2013 EBIT margin for the cinema business improved from 15% to be almost 18%, driven by strong concession sales. The company's concession-to-box office sales ratio increased to 29% in 2013 from 27% in 2012 which is beyond expectation of the company. The reason is because there are many movies gained high popularity among customers.

### **1.1.3 Cost Reduction from Digital Projectors**

MAJOR has tried to convert its operation from analog to be digital system by applying many digital projects and planning that the company will be able to operate business with 100% digital system which are centralized resulting in fewer staff being required, also the projects helped MAJOR to be more active and effective in its advertising business. As a result, MAJOR can cut down its cost in 2013 and have a plan to reduce cost sharply after the projects have been done.

### **1.1.4 Continued Expansion with Room to Grow**

Since Thailand is facing with underscreened situation, MAJOR has planned to expand its business by increasing the number of cinemas to be 1,000 screens both in urban and rural areas within year 2020. Also, the company will go internationally starting from now MAJOR has invested 150 MB for 7 screens in Cambodia and will expand into other countries, especially the CLMV group.

### **1.1.5 Movies Hit in year 2015**

There are numerous major titles scheduled for release in year 2015 which MAJOR believes that it will potentially boost Box Office revenue since the movie pipeline is quite also strong. Movies that lined up to come into Thailand next year will end up the waiting of many people which the company pretty sure that it will generate high income accordingly such as Fast and Furious 7, The Avengers: Age of Ultron, The Hunger Games: Mocking Jay Part II, and etc.

**Table 1.1 Financial Summary**

<b>Year-end: December</b>	<b>2013A</b>	<b>2014F</b>	<b>2015F</b>	<b>2016F</b>
Sales (THB mn)	7,711	7,825	9,251	10,410
COGS (THB mn)	5,011	5,233	6,186	6,962
EBITDA (THB mn)	1,986	2,463	2,739	3,014
EBIT (THB mn)	1,450	1,370	1,617	1,863
Pre-tax profit (THB mn)	1,301	1,221	1,468	1,714
Net profit adj. (THB mn)	1,024	963	1,157	1,351
EPS adj. (THB)	1.15	1.08	1.30	1.52
DPS (THB)	0.50	0.43	0.52	0.61
EBIT margin (%)	18%	16%	16%	17%
Net margin adj. (%)	12%	11%	12%	12%
Div. payout (%)	43%	40%	40%	40%
ROA (%)	8%	7%	7%	8%
ROE (%)	17%	14%	15%	15%

## 1.2 Business Description

Major Cineplex Group Plc (MAJOR) is the largest operator of movie cinema in Thailand. The company aims to be a leader in Lifestyle Entertainment Company with 5 major core businesses in cinema, bowling and karaoke, rental and services, advertising media, and movie content.

### 1.2.1 Cinema Business

In 1992, Vicha Poolvaraluk was asked by his father, Charoen Poolvaraluck, to take over the movie theater business. Vicha introduced a standalone “Cineplex” with a concept of large movie complexes that could offer a range of entertainment services. Not only movies, but also bowling alleys, karaoke rooms, ice skating rinks, restaurants and shopping. MAJOR Cineplex was introduced as a first such complex opened in 1996 on Nakhon Chaisri Road in Pinklao. Follow by the 14-screen, 4,000-seat MAJOR Cineplex Ratchayothin opened in 1998 and featured Thailand's first IMAX cinema. By year 2013, MAJOR has got 5 branches Standalone Cineplex located surrounding Bangkok, Pinklao (The first standalone in Thailand), Sukhumvit, Ratchayothin, MAJOR Rangsit and Esplanade Ngamwongwan – Kaerai

Nowadays MAJOR has nearly 80% market share of the Thai cinema industry's admissions revenue, in year 2004 with a total of 68 branches, 479 screens

and about 114,750 seats. MAJOR continues to add about 30-40 new screens in year 2014. This makes MAJOR has no competitor on the cinema operators in the industry. Besides the Standalone Cineplexes, MAJOR also deploys three other expansion models to populate Cineplexes around the country:

1.2.1.1 Shopping Mall Model. The shopping mall model was used more in the past when the shopping malls were sprouting up everywhere. It was a handy growth vehicle as “Cineplexes” could ride on their historically high growth phase without too much capital outlay as for the Standalone Cineplex model.

1.2.1.2 Lifestyle Neighborhood Mall Model. The lifestyle neighborhood mall model was created in 2004 thus serving as an excellent vehicle to populate Cineplexes in the metropolitan areas as well as more urbanized areas around country. A lifestyle neighborhood mall is typically built on a smaller plot of land (3 - 5 acres) next to the residential areas. Because of its compact size, it takes only 6-12 months for a lifestyle neighborhood mall construction to complete.

1.2.1.3 Hypermarket Model. The hypermarket model is used to populate the Cineplexes in the provincial areas. MAJOR builds cinemas & bowling in the hypermarket structures as an anchor tenant. For the provincial dwellers, hypermarket or discount store supercenter serves as a perfect destination, not only for shopping but also for family entertainment, in a very similar fashion as shopping malls are to the urban people. MAJOR joins with two hypermarket operators, Tesco Lotus & Big-C.

**Table 1.2 Major shareholder listed**

Top 10 Major Shareholders( @26 Aug 2014)	Share	%
1. นายวิชา พูลวรลักษณ์	306,140,100	34.46
2. STATE STREET BANK AND TRUST COMPANY	72,249,000	8.13
3. บริษัท ไทยเอ็นวีดีอาร์ จำกัด	69,047,507	7.77
4. STATE STREET BANK EUROPE LIMITED	54,154,214	6.10
5. นางภารดี พูลวรลักษณ์	30,470,436	3.43
6. LITTLE DOWN NOMINEES LIMITED 3	29,179,000	3.28
7. THE BANK OF NEW YORK (NOMINEES) LIMITED	25,000,400	2.81
8. THE BANK OF NEW YORK MELLON	22,644,700	2.55
9. CHASE NOMINEES LIMITED 50	17,781,700	2.00
10. MORGAN STANLEY & CO. INTERNATIONAL PLC	16,269,500	1.83

### **1.2.2 Bowling and Karaoke**

Bowling & Karaoke was added to lifestyle entertainment services in 1997. The first 20 lanes were put up in MAJOR Sukhumvit. The concept and positioning of MAJOR Bowl is the place where friends and families could come and enjoy the game rather than being a typical sports bowling venue,

"MAJOR Karaoke" is a perfect complement of the entertainment bowling as it provides, not only a better utilization of the space, but also another alternative form of lifestyle entertainment. Similar to bowling, karaoke rooms are modernly designed and decorated.

"Blu-O Rhythm & Bowl" was introduced in 2006 as a "Club Fashion Bowling," targeting at the higher-end of the consumer segments in the metro areas. The first Blu-O Rhythm & Bowl was put up in the Siam Paragon (a mega shopping mall in the heart of Bangkok) offering 38 bowling lanes, 15 karaoke rooms, and 2 Platinum rooms equipped with 4 exclusive bowling lanes each & karaoke facilities. In 2009, MAJOR operated totally 8 branches under brand "Blu-O Rhythm & Bowl," comprising of Paragon, Esplanade Ratchada, Pattaya, Ratchayothin, Sukhumvit, Esplanade Ngamwongwan-Kaerai, Mega Cineplex, and Central Festival Hatyai.

### **1.2.3 Advertising Service Business**

Advertising services business leverages off the traffic that cinema & other lifestyle entertainment attract. A subsidiary called CineAd Co.,Ltd. has been established to entice the advertisers and media agencies with full-range of advertising services, ranging from simple cinema screen advertising to fully-integrated below-the-line media solutions incorporating all media available in the Cineplex network around the country. The solutions include not only the screen advertising but also new media like VDO walls, tri-vision, plasma screens, Menu Board, outdoor media (Billboard/Cut-out) and 4D ads, the new innovation only used for cinema.

As one of the most effective, direct-to-target media alternatives, the cinemedia is among the highest growth in the entire media industry. In 2013, the cinemedia contributed about 6% of the advertising expenditures for the entire media industry.

#### **1.2.4 Space Rent Business**

MAJOR wants to offer a variety of entertainment services beyond the movie, bowling, and karaoke. Standalone Cineplex is one of the choices.

Retail spaces are packaged in 2 types – long-term lease contracts which are more than 3 years and short-term rental contracts which are less than 3 years. As the Cineplex becomes "destination" for lifestyle entertainment, MAJOR is able to attract many leading international chains as well as the newly emerging local brands. With the intense competition among the quick-serve restaurant chains, every brand is in need of new space to populate their new branches and expand their network every year. This has resulted in high occupancy rate at every location. Services accompanied space rental are the electricity, air-conditioned services, fire protection system, cleaning and security system as well as common area management services such as elevator, escalator and parking.

#### **1.2.5 Producing and Distributing Movies**

MAJOR has a strategic investment in the film distribution business through its 91.37% stake in M Pictures Entertainment Plc. (MPIC) which provided the upstream theatrical distribution services. And home entertainment distribution side, For the upstream theatrical distribution, MP is to manage the 52-week film programming and smoothen out the revenue imposed by the Hollywood's numerous movies including Asian films from Japan & Korea.

For the downstream home entertainment distribution, MPIC manage the timing of the DVD/VCD releases as well as the DVD/VCD pricing in bid to optimize revenue generating ability in each window and protect the core cinema business. With the appropriate timing of the DVD/VCD releases (typically 3-4 months subsequent to theatrical releases) and with proper pricing, a film can maximize its revenues in the cinema window as well as in the home entertainment distribution window itself. Not only the distribution movies MPIC has stepped into a film production company, namely M Thirty-nine Co. Ltd. (M39), to stimulate and advocate growth in Thai films production and service for all forms of entertainment. Leveraging of MPIC's own integrated distribution capability, combining with MAJOR's dominant market share in cinema, the Group ultimately aims to grow Thailand's film industry as a whole.



### 1.3 Macro-economic Analysis

**Table 1.3 Economic Projection for 2014-2015**

(% YOY)	2013	2014		Projection	
	ทั้งปี	H1	Q3	2014	2015
GDP (at 1988 price)	2.9	0.0	0.6	1.0	3.5-4.5
Total Investment (at 1988 price)	-2.0	-8.1	2.9	-1.9	5.8
Private	-2.8	-7.2	3.9	-1.0	4.8
Public	1.3	-11.3	-0.8	-5.0	9.8
Total Consumption (at 1988 price)	1.1	-0.7	1.9	1.2	3.1
Private	0.3	-1.3	2.2	0.7	2.6
Public	4.9	3.1	0.4	3.6	5.6
Export of Goods (US\$)	-0.2	-0.1	-1.7	0.0	4.0
Volume	0.2	1.2	-1.4	0.9	4.0
Import of Goods (US\$)	-0.5	-13.3	-0.8	-6.5	5.0
Volume	1.6	-12.7	-0.4	-5.8	5.5
Current Account to GDP (%)	-0.6	4.7	-1.6	2.9	2.2
Inflation	2.2	2.2	2.0	2.1	1.4-2.4
Unemployment rate	0.7	0.9	0.8	0.9	0.8-1.0

Since political uncertain in first half of 2014, military takeover of the government in Thailand in May which distressed business and consumer confidence, such that gross domestic product (GDP) was contracted around 0.1% caused by weak domestic demand.

Currently Thailand supposed to be in the early stage of an economic recovery. The Thai economy in the third quarter of 2014 grew by 0.6% compared with 0.4% in the previous quarter. In the first nine months of 2014, the Thai economy grew by 0.2%.

Private consumption expenditure expanded by 2.2%, up from a 0.2% growth in the previous quarter. This increase was in line with the improvement in Consumer Confidence Index, which led people to spend more, especially on non-durable goods. In the first nine months of 2014, private consumption expenditure contracted by 0.2%.

Business tends to start increasing investment total investment grew by 2.9%, compared with a contraction of 6.9% in the previous quarter. Private investment expanded by 3.9%.

For the year 2014, The Thai economy in 2014 is expected to grow by 1.0% with 0.7% growth of private consumption and a contraction of 1.9% of investment. The headline inflation is likely to remain subdued at 2.1%.

As a result, Bank of Thailand project 2015 GDP around 3.5-4.5%, private consumption and expansion in private investment were predictable to be the key driving. Therefore, business which related to private spending continuously to expand further in next year.

**Table 1.4 GDP growth rate**

	GDP Growth (%)									
	2556		2556				2557			
	Q1	Q2	Q3	9M	Q4	Q1	Q2	Q3	9M	
GDP	2.9	5.4	2.9	2.7	3.7	0.6	-0.5	0.4	0.6	0.2
GDP ปรับฤดูกาล	-	-1.3	0.3	0.9	0.7	0.7	-2.2	1.1	1.1	-

### 1.3.1 All -Times High Average Wages

Even though the GDP has been dropping significantly since fourth quarter 2013, however; wages average in Thailand is in the opposite direction by increased to 13,386.22 THB in the third quarter of 2014 from 13,237.76 THB in the second quarter of 2014. Wages in Thailand averaged 8,457.37 THB from 1999 until 2014, reaching an all-time high of 13,386.22 THB in the third quarter of 2014 and a record low of 6,344 THB in the first quarter of 2000. It is expected that the wages average will be higher in the year 2015, However with the slower on economic growth, should bring the growth on wages is lower.



**Figure 1.2 Thailand average monthly wage**

## **1.4 Industry Analysis**

### **1.4.1 Global Cinema Business**

Global Box Office revenues continued to increase in year 2013, reaching \$36 billion after growing from year 2008 – 2013 and expected to generating revenues in year 2017 of \$2.2 trillion, up from \$1.6 trillion in year 2012.

In year 2013, Global Box Office revenue increased by 4.4% over year 2012, led by strong growth in China (19.0%) which reached \$3.2 billion and maintained its position as the second largest market for movie exhibition behind North America, as well as in Russia (7.0%) and Brazil (7.0%).

In North America and Europe, Box Office revenues grew by 2.6%. According to the organization for Economic Co-operation and Development (OECD), by year 2030 two-thirds of the world's population will be 'Middle Class', with a daily expenditure of \$10 to \$100. This new class of people will appear primarily in Asia Pacific, meaning the entertainment & media industry needs to understand customers' needs to capture the regional spending power.

### **1.4.2 Thailand Cinema Business**

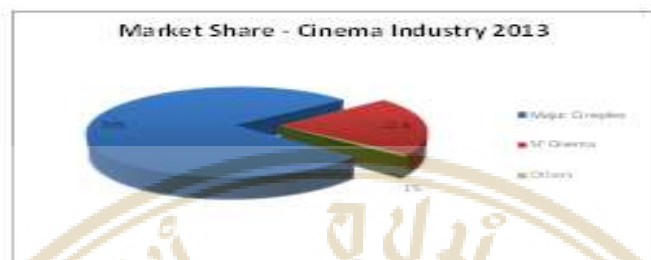
Scoped down into Thailand, cinema business has been growing popularly until these days. It can be seen that one of the favorite activity during the weekend is watching movies. This makes the cinema business becomes one of the most severe competition in Thailand. Even though, it was affected negatively from economic crisis and political situation in term of sale volume, it does not affect the expansion of business to increase the number of cinemas in order to reach all customers both in urban and rural areas.

### **1.4.3 Market Share in Thai Entertainment Industry**

MAJOR Cineplex Company is the biggest firm who gains biggest market shares in the industry at about 78%. After Major acquired EGV Entertainment, currently, there are total 800 screens in Thailand, of which almost 500 belong to MAJOR Group in 33 provinces.

SF Cinema City is the second largest cinema business operator in Thailand which the company held about 20% of the market shares.

Other cinema operators such as Century, Lido, Scala, House RCA held about 1% of total market shares.



Source: Company Annual Report 2013

Company	No. of Branch	No. of Cinema
MAJOR Cineplex and subsidiaries	65	479
SF Cinema	27	255

Source: Company Annual Report 2013

**Figure 1.3 Company Market share in cinema industry**

#### 1.4.4 Movies Hit in Year 2014-2015

Entertainment and Media spending in Thailand is expected to rise to \$14.8 billion by year 2017, up from \$8.5 billion in year 2014 which most of the revenue comes from the foreigner movies. There are 260 films showing during year 2014. For the first half of the year “Transformer: The Age of Distinction” is the movies produced highest revenue in Thailand, follow by King Naresuan<sup>5</sup>, The Amazing Spiderman<sup>2</sup>, Captain America: Winter Solider, and Maleficent. The recent slate of films and lacking of major blockbusters has hindered the growth of Box Office revenues over the past few years. However, there are numerous major titles scheduled for release in year 2015 which can potentially boost Box Office revenue accordingly.

**Table 1.5 List of the movies to be release in 2015**

Movies to be released in 2015	
Ant - Man	Kingsman: The Secret Service
Assassin's Creed	Kung Fu Panda 3
Cinderella	Man of Steel 2: Superman / Batman
Fantastic Four Reboot	Mission Impossible 5
Fast & Furious 7	Seventh Son
Finding Dory	Star War VII
Inferno	Taken 3
Inside Out	Ted 2
Into the Woods	Terminator: Genisys
James Bond 24	The Avengers: Age of Ultron
Jupiter Ascending	The Hunger Games: Mocking Jay Part II
Jurassic World	World of Warcraft

Source: Company

### 1.4.5 Room to Grow

Thailand now is facing an underscreened problem because of several reasons. Firstly, the current number of screens is limited, comparing to Singapore, Thailand's population is at 87,000 people per a cinema while in Singapore, the population is around 26,000 people per a cinema.

Moreover, the frequency of Thai people watching movies is around 2 movies per year while in Singapore, people are watching about 4-5 movies per year. Another major issue is that the number of movies waiting for a premiere is higher than a number of cinemas. And, this lead to the period of movie showing to be shorter around 2-3 weeks depends on the popularity of that movies in order to support 200-300 Hollywood movies come into Thailand. However, this number is still less than the number of Hollywood movie production which can be produced up to 500 movies per year.

### 1.4.6 Year of Digitization

Digitization has become an important theme over the past decade, as a majority of cinemas across the world have converted their projection technology from analog to be digital system. This is a huge change for movies industry, most of the cinema operators in Thailand has been changed to support the digital system follow the U.S studios' announcement that they will completely stop distributing movies produced with analog system in major markets worldwide by the end of 2015 and converting to be digital system in order to manage cost efficiently.

### **1.4.7 Moving Toward Rural Areas and CLMV Countries**

For the upcountry market, there are a few cinemas which are in a form of Multiplex which mostly are quite old and decadent. So, there is a high potential to open the cinemas in those areas. In addition, the purchasing power of people in rural areas is high but they are lacking of the opportunity to spend it for movies in a new and modern style of cinemas. Hence, in a few years, it expected that the demand for the Multiplex movie cinemas will be very high.

Moreover, two major movie companies in Thailand are planning to expand their investment into other countries. AEC which will be implemented in year 2015 is one of the good opportunities to do so. Both big firms – MAJOR and SF also have a plan to go investing in ASEAN countries, especially CLMV countries (Cambodia, Laos, Myanmar, and Vietnam) over the next 5-10 years.

## **1.5 Competition Analysis**

In Thailand, entertainment industry is developing continuously overtime, especially cinema business. Watching movie is still one of the most popular activities people will do when they have free time and want a relaxation. And definitely, bowling & karaoke is following according. Even recently, the business has affected by the political unrest and economic issues, it is still slightly grown. All operators plan to expand their business into both urban and rural areas with the expectation to increase the target customers.

Because all firms focus on expanding business, as a result, the competition level will be more intense. The companies have to develop their products and services to be as best as possible, or at least better than the competitors in order to maximize customers' satisfactions. Moreover, the companies also have to apply effective marketing strategies to attract customers in order to maintain/increase market shares. Talking about competitors, even MAJOR contains highest market shares in Thai's entertainment industry, there still are competitors in both direct and indirect perspective as follows;

### **1.5.1 Direct Competitor**

*SF Cinema* – the second biggest cinema exhibitor in Thailand who contains about 20% of market share. The company operates its business mainly in cinema market. Until now, SF has about 255 cinemas in Thailand. This is the MAJOR's direct competitor because the way of operating business, products and services, target group of customers are exactly the same as MAJOR Cineplex.

### **1.5.2 Indirect competitor**

**Home Entertainment Media Companies** – the company sells VCD/DVD to customers which the price is cheaper than movie ticket. Therefore, there will be some group of customer choose to buy this kind of product instead of going to watch movie at the cinemas.

## **1.6 Investment Summary**

### **1.6.1 Technology Reduce Cost of Operation**

MAJOR's cost of operating its business has been falling via the use of digital projectors such as automated ticketing machines, web pages, and mobile applications. It helps to reduce the staff costs, along with lower screen investment costs. This is one of the effective cost-management strategies MAJOR used which leads the company to be more competitive in the industry.

### **1.6.2 Strong Cinema Revenue Growth**

2013 revenue growth was driven mainly by cinema business. The reason of this strong growth is that MAJOR expansions plan with 33 new cinemas both in urban areas and countryside areas.

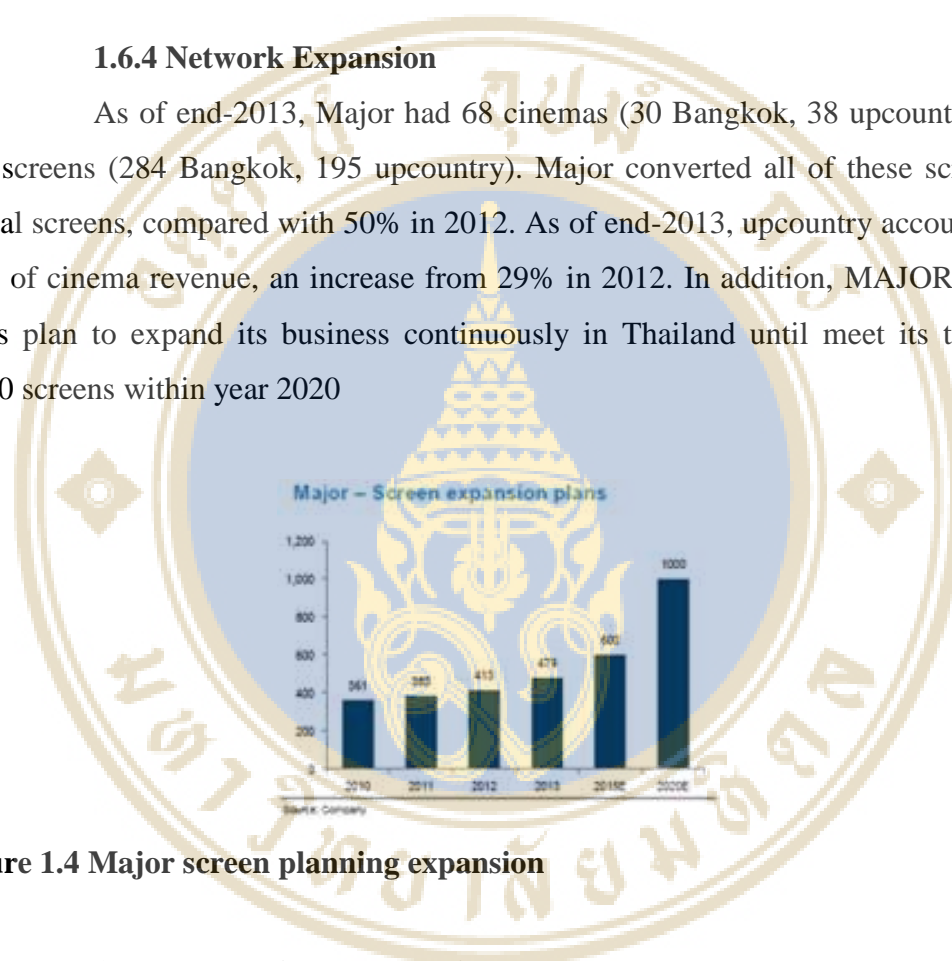
Increasing in number of cinemas is automatic boost up the revenue from selling of popcorns and soft drinks accordingly.

### 1.6.3 Strong Box Office

Pee Mak Phra Khanong, a Thai comedy-horror movie, was the new record highest grossing domestic film in Thailand and contributed 565 MB to MAJOR's cinema revenue in 2013. International Box Office hits, such as Transformer: The Age of Distinction, Iron Man3, and Fast and Furious6, were the second and third box office grosser, generating 249 MB and 215 MB respectively.

### 1.6.4 Network Expansion

As of end-2013, Major had 68 cinemas (30 Bangkok, 38 upcountry) with 479 screens (284 Bangkok, 195 upcountry). Major converted all of these screens to digital screens, compared with 50% in 2012. As of end-2013, upcountry accounted for 40% of cinema revenue, an increase from 29% in 2012. In addition, MAJOR has a 5 years plan to expand its business continuously in Thailand until meet its target of 1,000 screens within year 2020



**Figure 1.4 Major screen planning expansion**

### 1.6.5 International Expansion

Major is partnering with Japan's Aeon Mall to operate a cinema complex in Cambodia with 7 screens, 1400 seats, and 14 bowling lanes. The total investment is 150 MB, indicating that the company started to expand its business into international level. Then, it will capture further opportunities in Southeast Asia, with Cambodia and Vietnam being the priority markets.



### **1.6.6 More Active Advertising Management**

MAJOR has been more active in advertising management to mix and match advertisements based on individual movies. As each movie type has a different target group, MAJOR helps advertisers to manage budgets more effectively. Also, MAJOR invests in digital online advertisements which as a result, the company has improved the margin from advertising against the fall of overall industry.

### **1.7 Discounted Cash Flow Model: FCFE**

DCF is considered as one of the most theoretically correct and applicable valuation methods to determine the value of the stock because it was calculated the company's value from fundamental information by projecting its future cash flows and then using the Net Present Value (NPV) method to find the intrinsic value of those cash flows. In a DCF analysis, the cash flows are projected by using a series of assumptions about how the business will perform in the future, and then forecasting how this business performance translates into the cash flow generated by the business. By applying DCF model, the target price of MAJOR stock is at 36.84 Baht per share, it is now traded at 27.25 Baht per share in stock market according to closing price on 24 December 2014. Since now, the stock is undervalued; the recommendation is to buy this stock.

#### **1.7.1 Projected Cash Flow and Assumptions**

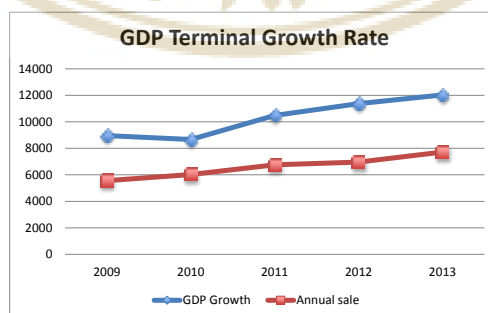
1.7.1.1 Earnings before Interest and Tax Growth Rate. The forecasted EBIT of year 2014-2018 is growing in accordance with 2 main factors, the increase in total revenue and total expenses. For MAJOR's revenue, it can be divided into 3 sources. Firstly, from net sales of products and services, it is growing in the same direction with the expansion plan to increase the cinemas from 479 screens to be 1,000 screens within year 2020. Secondly, other income, it is projected to grow by using average growth rate of 5 years historical data at 23.88% per year. Finally, profits from investment which is predicted by assuming average growth rate to be at 5.00% per year. For total expenses, it is composed of 2 components which are cost of goods sold and selling & administrative expense. Taking about COGS, it related to net sales

volume which the rate is 66.87% from 5 years historical data. Also, S&A expense which is calculated by using the same method.

1.7.1.2 Change in Capital Expenditure. CAPEX is forecasted base on the assumption of MAJOR expansion plan to increase the number of cinemas per year. The cost of opening 1 more branch is assuming to be around 6.5 MB. Therefore, the additional require capital will be included into amount of fixed asset each year.

1.7.1.3 Weighted Average Cost of Capital. WACC of MAJOR is compute by weighting between the proportion of cost of debt and cost of equity which are 44.14% and 55.86% respectively. Calculating cost of debt by using the longest outstanding maturity bond yield - MAJOR178A as a reference at 4.60%, make it to be after tax with average tax rate at 21.50%, cost of debt will be 3.63%. For cost of equity, it is calculated by using CAPM model, risk free rate is 2.87% which is the 10 years government bond yield curve as of 24 December 2014, market risk premium at 8.00%, and adjusted beta at 0.99. Date of risk premium and adjusted beta are from Bloomberg as of 24 December 2014. Cost of equity of MAJOR is 10.79%. After plug in all number, WACC for MAJOR is equivalent to 8.32%

1.7.1.4 Growth Rate. The information of growth came from the average historical nominal GDP for past 5 years, since year 2009 to 2013 from Bank of Thailand. The reason these number was used to represent company growth is that because it is highly correlated with actual sales volume in year 2009-2013 about 95%. Thus, it can be concluded that GDP growth rate can determine the growth rate of MAJOR business.



**Figure 1.5 Thailand GDP between 2000-2013**

**Table 1.6 Summarize DCF Valuation method**

DCF VALUATION	
Risk-free rate (Rf)	2.87%
Market risk premium (Rm-Rf)	8.00%
Beta	0.99
<b>Cost of equity</b>	<b>10.79%</b>
Equity ratio	55.86%
Average cost of debt	4.60%
<b>After-tax cost of debt</b>	<b>3.63%</b>
Debt to capital ratio	44.14%
<b>WACC (%)</b>	<b>7.63%</b>
<b>Terminal value</b>	<b>55,119.89</b>
Free cash flow at end-2018	2,746.77
Projected growth rate (g)	2.52%
EV	37,513.76
Value of debt	4,819.64
Value of equity	32,694.12
No. of share	887.58
<b>Target price</b>	<b>฿36.84</b>

## 1.8 Financial statement analysis

Since in Thailand, MAJOR is almost monopoly and it is only cinema operator listed in SET, this company has no competitor in stock market. Therefore, in this report MAJOR will not be compared with any competitor in Thailand, but it will be compared with 3 peers in other countries who operate their business in entertainment industry mainly the cinema business with other entertainment activities.

CJ CGV – the largest multiplex cinema operator in South Korea which listed on Korea Stock Exchange since December 2004, the company provides customers with the luxury cinemas, hall for concerts, musicals, and opera shows.

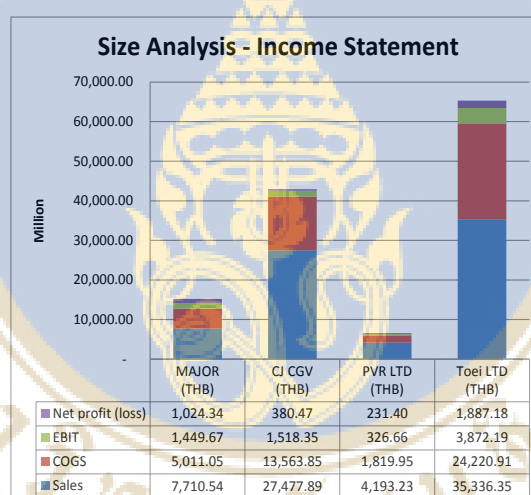
PVR LTD – the largest cinema chain operator in India. The companies listed on listed on the National Stock Exchange and the Bombay Stock Exchange (BSE) during year 2006-2007, the company provides customers with the multiplex cinemas, also the company operates film distribution and production business.

Toei LTD – the Japanese film listed on Tokyo Stock Exchange. The company mainly involved in the movie industry, engaged in the production, distribution, import and export of theater movies, the operation of movie theaters, and the production and distribution of television (TV) movies.

### 1.8.1 Summary figures from financial statements (Size analysis)

1.8.1.1 Income Statement. For income statement of year 2013, MAJOR has got total revenue about 8,239.43 MB which came from sales 7,710.54 MB, the company has to pay mainly for COGS about 5,011.05 MB. So, EBIT will be 1,449.67 MB and net profit is 1,024.34 MB. For CJ CGV, in year 2013, the company earned 27,477.89 MB as total revenue (net sales) and paid for COGS about 13,563.8 MB. At last, EBIT is equal to 1,518.35 MB and net profit left at 380.47 MB. Talking about PVR LTD, at the end of year 2013, the company has got 4,193.23 MB as total revenue. It generated 1,819.95 MB for COGS. As a result, there is 326.66 MB left as EBIT and 231.40 MB as net profit accordingly.

In year 2013, Toei LTD can generate highest revenue among these 4 firms at 35,336.35 MB, while has to pay for COGS at 24,220.91 MB. Thus, the EBIT and net profit are 3,872.19 MB and 1,887.18 MB respectively.



**Figure 1.6 Income statement size analysis**

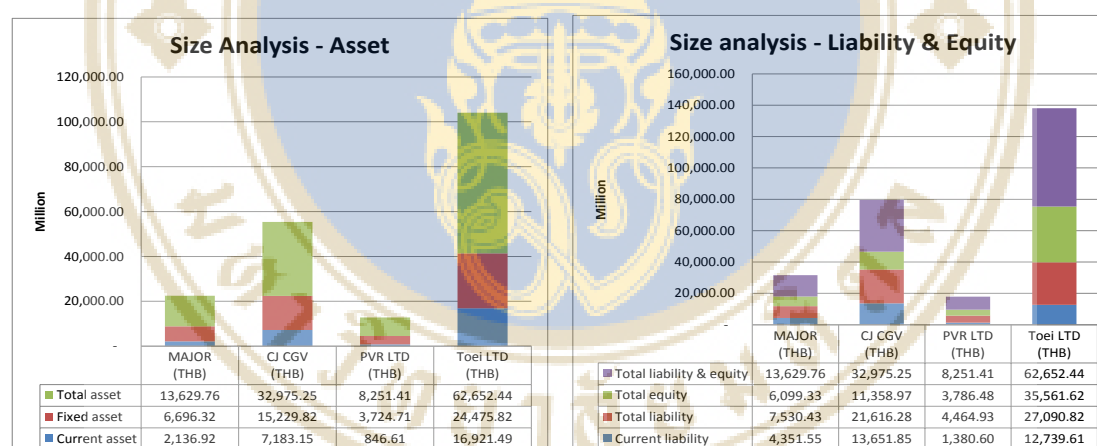
1.8.1.2 Balance Sheet. For 2013 balance sheet, total asset of MAJOR is 13,629.76 MB which composed of current asset about 2,136.92 MB, fixed asset about 6,696.32 MB, and the rest is other assets, while CJ CGV had total asset at 32,975.25 MB, representing current asset of 7,183.15 MB, fixed asset of 15,229.82 MB, also the rest is other assets.

For PVR LTD, its total asset value is equal to 8,251.41 MB, current asset is about 846.61 MB and another 3,724.71 MB is fixed asset, the rest is other assets. And for Toei LTD, the company has total 62,652.44 MB of asset which

can be divided into current asset of 16,921.49 MB and fixed asset of 24,475.82 MB. The leftover represents other assets as other companies.

At the end of year 2013, total liability & equity of MAJOR is equal to 13,629.76 MB, this number composed of liability for 7,530.43 MB and equity for 6,099.33 MB. Total liability & equity of CJ CGV is equal to 32,975.25 MB which can be divided to be liability for 21,616.28 MB and equity for 11,358.97 MB. For PVR LTD, its total liability & equity is 8,251.41 MB which came from total liability of 4,464.93 MB and total equity of 3,786.48 MB. And for Toei LTD, the value of total liability & equity is equal to 62,652.44 MB, total liability and total equity is 27,090.82 MB and 35,561.62 MB respectively.

By comparing the number of revenue earned, COGS, total asset, total liability and equity between these 4 companies, it shows that Toei LTD is the biggest firm, and then follows by CJ CGV, MAJOR, and PVR LTD subsequently. However, if looking only at the net profit, MAJOR is the second profitable firm among peers.



**Figure 1.7** Balance sheet size analysis

## 1.8.2 Common Size Analysis

1.8.2.1 Income Statement. From total revenue of 100% of MAJOR, it came from net sales about 93.58% and the rest of 6.42% is from other incomes. While for CJ CGV, PYR LTD, and Toei LTD, the revenue is from net sales for 100%. From all these 4 companies, PVR LTD has the best ability in controlling COGS when compare with others as shown that PVR LTD's COGS is at 43.40%,

follows by CJ CGV at 49.36%, then, MAJOR and Toei LTD at 60.82% and 68.54% respectively.

However, because MAJOR can be able to control its operating expenses more effective than peers which leads the company to get highest EBIT at 17.59%, then follows by Toei LTD at 10.96%, and PVR LTD at 7.79%. By the way, for CJ CGV, the company spends more money for operating purpose such as R&D expense, at last it leads the EBIT of CJ CGV to be at 5.53% which is lower than other firms.

For net profit, MAJOR be able to manage its borrowing cost and tax liability better than others so that the company has got the profit at 12.43%. PVR LTD is profitable at 5.52% while Toei LTD has got net profit about 5.34%. And the last company is CJ CGV at 1.38%.

**Table 1.7 Income statement common size analysis**

	MAJOR (THB)		CJ CGV (THB)		PVR LTD (THB)		Toei LTD (THB)	
	2013 A		2013 A		2013 A		2013 A	
Total revenue	8,239.43	100.00%	27,477.89	100.00%	4,193.23	100.00%	35,336.35	100.00%
Sales	7,710.54	93.58%	-	-	-	-	-	-
COGS	5,011.05	60.82%	13,563.85	49.36%	1,819.95	43.40%	24,220.91	68.54%
EBIT	1,449.67	17.59%	1,518.35	5.53%	326.66	7.79%	3,872.19	10.96%
Net profit (loss)	1,024.34	12.43%	380.47	1.38%	231.40	5.52%	1,887.18	5.34%

1.8.2.2 Balance Sheet. Total asset of 100%, for MAJOR, it can be divided into current asset about 15.68% and fixed asset about 49.13%. For CJ CGV, it is separated to be current asset at 21.78% and fixed asset at 46.19%. For PVR LTD's current asset is around 10.26% and fixed asset at 45.14%. While for Toei LTD, the current asset is 27.01% and fixed asset is 39.07%. The rest is other assets for all companies. Comparing among 4 firms, it is shown that MAJOR emphasized more on fixed asset which is about the expansion project, while Toei LTD and CJ CGV concerned more about daily operation and liquidity.

For the sources of fund, MAJOR, CJ CGV, and PVR LTD prefer to raise funds from loans and borrowings more than issuing stocks thus it is less risky in terms of financial leverage. As shown that total liability and equity of MAJOR

composed of equity for 44.75% and liability for 55.25%, of which 57.79% of total liability is current liability, the rest is long-term liability and other liability.

For CJ CGV, equity is equal to 34.45% and liability at 65.55%, of which 63.16% is current liability, the rest is long-term debt and other liability. And for PVR LTD, equity is equal to 45.89% and liability at 54.11%, of which 30.92% is current liability, the rest is long-term debt and other liability. However, for Toei LTD, the company chooses to operate its business by using equity more than liability – issuing common stock in order to share the ownership and responsibility so that total liability and equity of Toei composed of equity for 56.76% and liability for 43.24%, of which 47.03% of total liability is current liability, the rest is long-term liability and other liability. From the proportion of liability and equity held by these 4 companies, it can be concluded that the most conservative company in operating business is CJ CGV, then MAJOR and PVR LTD respectively since each company choose to run business by borrowing money from creditors more than issuing stock publicly.

**Table 1.8 Balance sheet common size analysis**

	MAJOR (THB)		CJ CGV (THB)		PVR LTD (THB)		Toei LTD (THB)	
	2013 A		2013 A		2013 A		2013 A	
Current asset	2,136.92	15.68%	7,183.15	21.78%	846.61	10.26%	16,921.49	27.01%
Fixed asset	6,696.32	49.13%	15,229.82	46.19%	3,724.71	45.14%	24,475.82	39.07%
Total asset	13,629.76	100.00%	32,975.25	100.00%	8,251.41	100.00%	62,652.44	100.00%
Current liability	4,351.55	57.79%	13,651.85	63.16%	1,380.60	30.92%	12,739.61	47.03%
Total liability	7,530.43	55.25%	21,616.28	65.55%	4,464.93	54.11%	27,090.82	43.24%
Total equity	6,099.33	44.75%	11,358.97	34.45%	3,786.48	45.89%	35,561.62	56.76%
Total liability & equity	13,629.76	100.00%	32,975.25	100.00%	8,251.41	100.00%	62,652.44	100.00%

### 1.8.3 Financial Ratio:

#### 1.8.3.1 Return

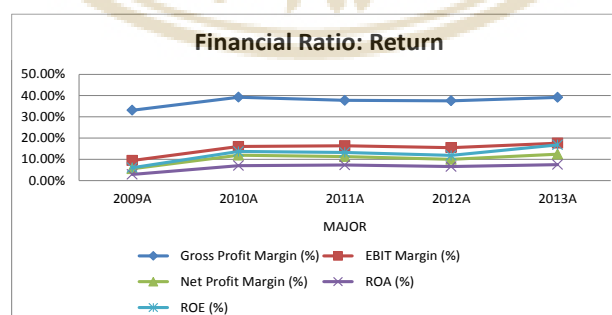
a. Gross Profit Margin: from year 2009 at 33.10% to 2010 at 39.24%, the % is increased from 33.10% to be 39.24%. Then dropped down in year 2011 at 37.77% and be at the bottom in year 2012 around 37.56%. After that, it started to rise up in year 2013 to be at 39.18%. Even gross profit margin of MAJOR is higher than Toei LTD at 30.73%, it still lower than CJ CGV and PVR LTD which the margin is 50.64% and 58.29% respectively in year 2013; it indicated that CJ CGV and PVR LTD have a better ability in controlling COGS of products and services.

b. Operating Profit Margin: the trend of MAJOR's EBIT margin is increasing continuously since year 2009 to year 2013, it dropped a little bit in year 2012 but turned up again in year 2013 to be at 17.59%. Comparing with peers, CJ CGV at 5.53%, PVR LTD at 7.79%, and Toei LTD at 10.96%, it showed that MAJOR is able to minimize the operating expenses more efficient than those 3 companies and be able to generate more EBIT from sales.

c. Net Profit Margin: for MAJOR, the trend is exactly the same as EBIT margin. Thus, when compare % in year 2013 between MAJOR at 12.43% with CJ CGV at 1.38%, PVR LTD at 5.52%, and Toei LTD at 5.34%, implying that MAJOR can much better manage all costs and expenses from operating its business which lead to higher amount of net income from sales.

d. ROA: apart from the political unrest in Thailand and global economic downturn in year 2012 made ROA of MAJOR declined from year 2011, the rate is grew up in other years until 2013 to be at 7.52% which is higher than ROA of CJ CGV at 1.15%, PVR LTD at 3,15%, and Toei LTD at 4.96%. The reason is because MAJOR invests more in fixed asset in order to expand its business so the company will be able to generate more profit from this investment.

e. ROE: in year 2013, ROE of MAJOR is at 16.79%, the trend is moving in the same direction as ROA. The rate is higher than ROE of CJ CGV which is 3.35%, PVR LTD is 3.85%, and Toei LTD is 6.28%. The reason CJ CGV can generate lowest ROE is that because the company has many operating expenses so the company can generate less profit from sales, therefore, the company has less cash flow left for the shareholders.



**Figure 1.8 Financial ratio return**



**Table 1.9 Compare return financial ratio with the peer**

Return	MAJOR					CJ CGV	PVRLTD	ToeiLTD
	2009A	2010A	2011A	2012A	2013A	2013A	2013A	2013A
Gross Profit Margin (%)	33.10%	39.24%	37.77%	37.56%	39.18%	50.64%	58.29%	30.73%
EBIT Margin (%)	9.45%	16.03%	16.40%	15.50%	17.59%	5.53%	7.79%	10.96%
Net Profit Margin (%)	5.59%	11.97%	11.30%	10.00%	12.43%	1.38%	5.52%	5.34%
ROA (%)	2.91%	7.04%	7.30%	6.57%	7.52%	1.15%	3.15%	4.96%
ROE (%)	6.08%	13.69%	13.25%	11.84%	16.79%	3.35%	3.85%	6.28%

### 1.8.3.2 Risk

#### a. Short-Term Liquidity Risk

Current Ratio: For MAJOR, the trend is quite swing from year 2009 to be at 0.49 in year 2013. Even the rate is higher than PVR LTD which is at 0.43, 0.49 is still lower that CJ CGV rate at 0.53 and Toei LTD which the rate is 3.72, implying that there might be more chance for MAJOR to face with the difficulty to meet its short-term debts in near future than CJ CGV and Toei LTD. While Toei LTD has a very good ability to pay back its short-term debts comparing with others.

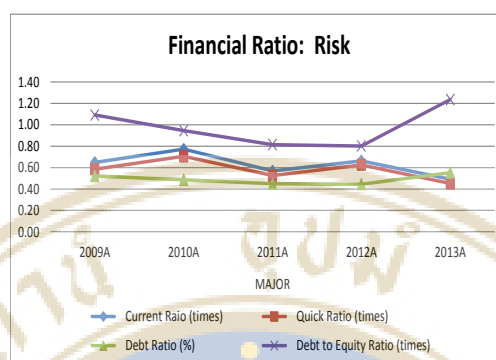
Quick Ratio: MAJOR's trend is exactly the same as current ratio. In year 2013, the rate is 0.45. It is also more than PVR LTD which the rate is at 0.27. However, it still be lower that CJ CGV at 0.50 and Toei LTD at 3.16. Hence, it can be concluded that MAJOR's ability to pay immediate debt is worse than CJ CGV and Toei LTD because MAJOR hold more inventory which is hard to be converted into cash, it will affect the liquidity position of the company.

#### b. Long-Term Liquidity Risk

Debt Ratio: comparing amount of debts between MAJOR, CJ CGV, PVR LTD, and Toei LTD, the result showed that CJ CGV has use highest debt in financing the business (borrowing funds) than other companies at the rate of 65.55%. Then follows by MAJOR at 55.25%, PVR LTD at 54.11%, and Toei LTD at 43.24% respectively. It might affect CJ CGV more in term of an ability to meet interest payments.

Debt to Equity Ratio: From year 2009 to year 2012, the ratio is quite stable. However, in year 2013, debt to equity ratio of MAJOR is increasing sharply to be 1.23 because the company borrowed more money for expansion project. However, this rate is still lower than CJ CGV which the rate in year 2013 is at 1.90, implying that CJ CGV operates its business with debt more that equity so it requires

the company to keep more money on hand for interest payments. However, the rate of MAJOR is a little bit higher than PVR LTD at 1.18, and much higher than Toei LTD which the rate is only 0.76 because Toei LTD has used more equity in operating business than using debts like another 3 companies.



**Figure 1.9 Financial ratio risk**

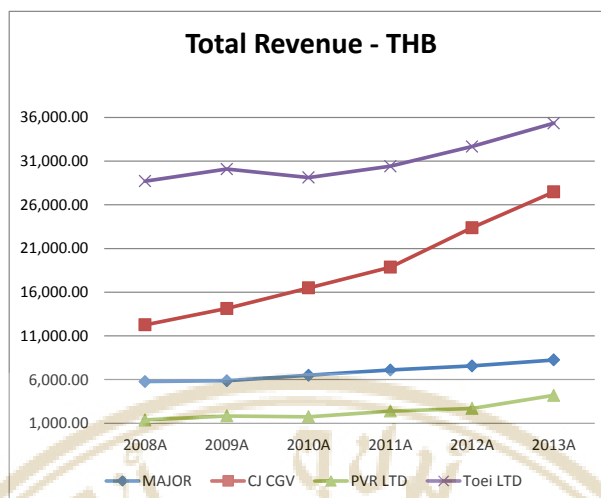
**Table 1.10 Compare risk financial ration with the peer**

Risk	MAJOR					CJ CGV 2013A	PVR LTD 2013A	Toei LTD 2013A
	2009A	2010A	2011A	2012A	2013A			
Current Ratio (times)	0.65	0.77	0.57	0.66	0.49	0.53	0.43	3.72
Quick Ratio (times)	0.58	0.71	0.52	0.62	0.45	0.50	0.27	3.16
Debt Ratio (%)	52.18%	48.58%	44.88%	44.49%	55.25%	65.55%	54.11%	43.24%
Debt to Equity Ratio (times)	1.09	0.94	0.81	0.80	1.23	1.90	1.18	0.76

## 1.8.4 Trend Analysis

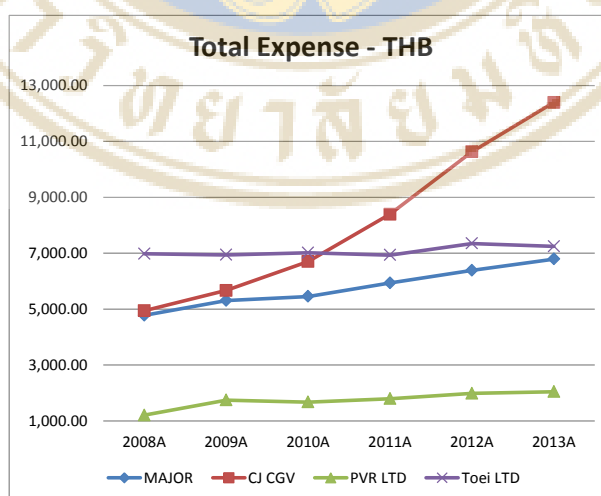
### 1.8.4.1 Income Statement

a. Total revenues: over the past 5 years, the revenue of MAJOR is increasing continuously at the rate of growth approximately 7.45% per year. The reason drives revenue to increase is that the popularity of entertainment activities is raised, mainly in cinema business, the ticket sale volume which it is the highest proportion of MAJOR's total revenues is growing overtime. Specifically in year 2013, growth rate is quite high comparing to other years because there are many success movies such as Pee Mak Prakanong, Iron man3, and Fast and Furious6. In addition, the company has gained more revenue from selling more advertising. The trend is consistent with all CJ CGV, PVR LTD, and Toei LTD which their trends also increasing continuously during year 2009-2013 at average rate of 17.55%, 26.65%, and 4.32% respectively.



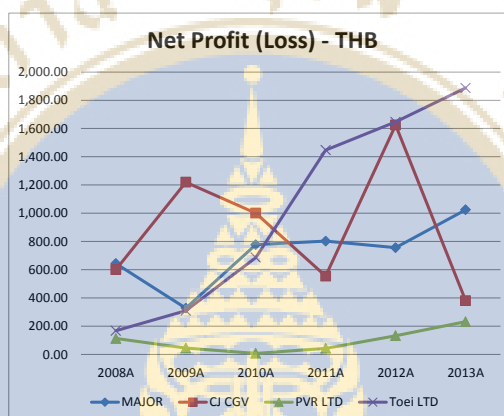
**Figure 1.10 Major Total revenue from 2008-2013**

b. Total expenses: for MAJOR's expenses included both COGS and SG&A cost which is gradually rising at the average growth rate of 7.32%. The cause came from increasing of cost of movies and cinemas. Also, the selling of concession business accordance with the total of increase revenues together with the cinema branches expansion. Comparing with PVR LTD the expenses grow up slightly at the same pattern as MAJOR at the average rate of 17.55%. For Toei LTD during year 2009-2013, expense is quite stable as growth rate is only 4.32% in approximated. In contract, expense of CJ CGV is increasing sharply overtime at 26.65% due to R&D cost.



**Figure 1.11 Major Total expense from 2008-2013**

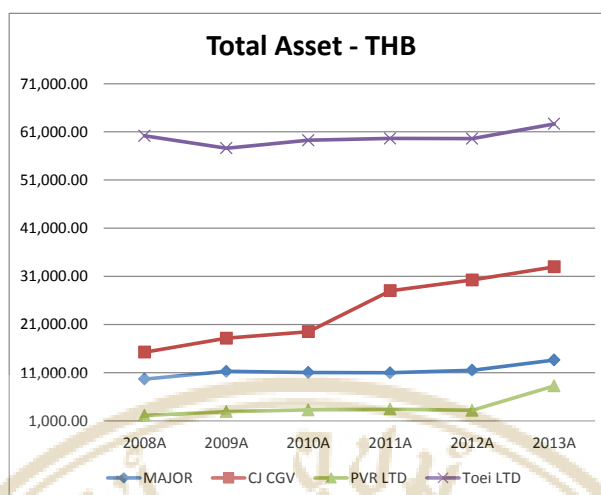
c. Net profit (loss): in average, net profit of MAJOR has grown around 24.23% for 5 years data. However, in year 2009, the profit was dropped down because there are only few success movies at that time; also the business was affected by the political unrest situation. After that, it started to be boosted up in year 2010, until year 2013, net profit of MAJOR is sharply growing due to the success movies and expansion projects of the company. For CJ CGV, the trend is fluctuated over the past 5 years and dropped down more than 75% in year 2013. By the way, in average, the growth rate of CJ CGV's net income is 31.39%. While the trend of PVR LTD and Toei LTD is rising on average of 129.28% and 69.23% accordingly



**Figure 1.12 Major Net profit from 2008-2013**

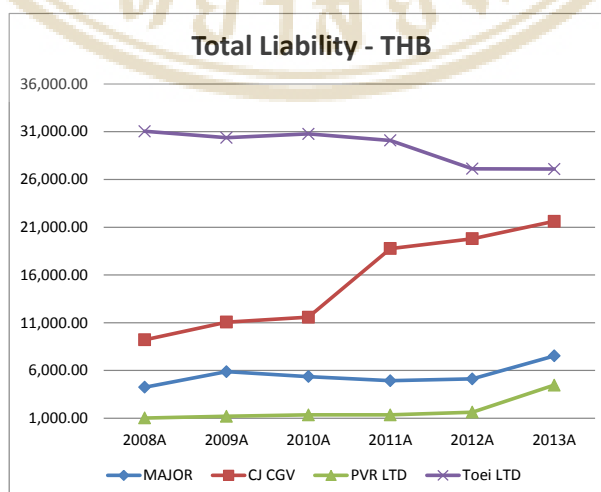
#### 1.8.4.2 Balance Sheet

a. Total assets: for MAJOR, the rate of asset growth for the past 5 years is at 7.45% in average. The value of MAJOR's assets is quite constant during year 2009-2012. After that, in year 2013, the company's total assets value is increases visibly which the main reason was from receiving the property, plant and equipment from branches expansion, also from increasing of investment in joint venture company (Siam Future Development Company). For PVR LTD, the trend is very similar to MAJOR, quite constant during year 2009-2012 and increase visibly in year 2013 on average of 41.27% over 5 years. For CJ CGV, the trend is increasing continuously at approximate 17.41%. And for Toei LTD, the values of asset is quite stable during year 2009-2013, growth rate is only 0.86%.



**Figure 1.13 Major total asset from 2008-2013**

b. Total liabilities: the approximate rate of growth for liabilities during the past 5 years is at 14.51%. The value of liabilities is fluctuated overtimes. It slowly declined in year 2009-2011. Then, it increase a little bit in year 2012. However, in year 2013, the value of MAJOR's liabilities is raised up sharply because of the short-term loan from financial institutions and other payable for initial investment of branches expansion. For CJ CGV, liability grew hardly during year 2010-2011 and slightly increases during year 2011-2013 on average of 20.31% over 5 years. Talking about PVR LTD, the trend is constant during year 2009-2012 and increase in year 2013 on the average rate of 44.66%. On the other hand, for Toei LTD, liability declined during year 2010-2012 and being constant in year 2013, for 5 year, the rate is approximately at -2.61%



**Figure 1.14 Major total liability from 2008-2013**

c. Total equities: 5 years for equities of the company, growth rate is around 2.48%. Equity values tended to increase overtime for year 2009-2012. However, in year 2013, MAJOR's equity value is dropped down because on that year the company chose to operate its business by using liabilities instead of equities. For CJ CGV, the trend is increasing gradually over the year at 13.48% for 5 years. For PVR LTD, it dropped a little bit in year 2012 and obviously increases again in year 2013 at approximate rate of 39.13% for 5 years. And for Toei LTD, it declined in year 2010, after that it has increased slightly overtime on average of 4.24%.

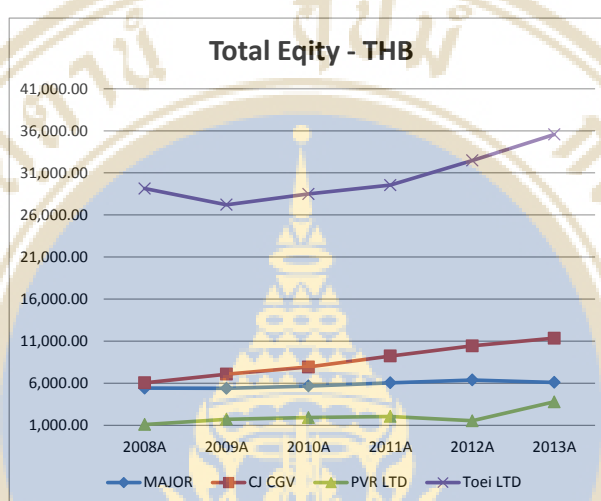


Figure 1.15 Major total equity from 2008-2013

## 1.9 Investment Risks and Downside Possibilities

### 1.9.1 Risk from film release

The main revenue about 53% of total revenue of MAJOR Cineplex has relied on the flow of films because the income is from ticket sale, and the sale will depend on the number of movies show as well as the popularity of each movie. Consequently, the interdependence among cinema exhibitors, movie representatives, and movie producers are required in order to attain constant growth and significantly reduce the risk of film release. Moreover, MAJOR started to enter into movie producing business – M Picture Entertainment Plc., it helps to lessen the risk from off-peak period in which there is no grand movie from Hollywood. Nevertheless, MAJOR Cineplex is committed to cooperative relationship with international and domestic

movie producers and makes an agreement with all producers from the production planning to ensure the effective risk management from film release.

### **1.9.2 Risk from operation**

According to the expansion project, MAJOR plan to cooperate with hypermarket such as Big C and Tesco Lotus who also have a plan to expand business into rural areas throughout Thailand. MAJOR will open more cinemas and increase screens at each branch of Hypermarket because the company perceives that people in rural areas have high purchasing power but have low chance to consume, opening more cinemas will attract people to spend more their money and generate profit for the company. However, in fact, people might not go to watch movie at hypermarket. They prefer to go department store instead. This is the reason that can make MAJOR get less profit than the expectation.

### **1.9.3 Risk from competition**

As in the entertainment industry, MAJOR is the leader who provides modern facilities and prime locations to customers. The company is continuously expanded the branches with 4 models: standalone cinema, shopping mall, lifestyle mall, and hypermarket.

However, the expansion and growth of competitors also has impacts on MAJOR in term of revenue reduction and comparison of provided services and facilities. Therefore, in order to manage the competition risk, the company tried to maintain the customer base and explore new customer group with additional entertainment experiences including bowling center, karaoke, and constant revamp of the cinemas which make MAJOR becomes paramount cinema operator. Also, CD/DVD is one of MAJOR's competitors, both legal and illegal firms. By the way, for legal firm, the growth is shorter that cinema growth, and for illegal firms, the government is putting effort to drive it down.

### **1.9.4 Risk from new expansion**

In 2014, MAJOR Cineplex has a plan to expand its business both in domestic and international markets. The investment for expansion may induce

uncertainty, resulting from return on investment. The new operations may face delay opening or higher expenditure due to increasing in project cost. However, because of the expansion experiences, MAJOR has average payback period about 3-4 years per branch with IRR about 15-20% (from feasibility study prior to starting the project) together with the project locations will be in the residential areas, downtowns, and business districts, it helps to ensure the success of expansion. In contract, if the payback period is longer than expected, MAJOR will consider to reduce the number of expansions accordingly.

#### **1.9.5 Risk from management**

The business of MAJOR has been established and became successful under to helm of Mr. Vicha Poolvaraluk, the founder of MAJOR. It has been perceived that MAJOR has to rely on his stature and experience. So, there is a risk in changing in shareholders among MAJOR founder because it might affect the relationship with movie producers and confidence in MAJOR as a whole. To manage this risk, MAJOR has a policy to constantly develop new executives for each business operation. They will be groomed by senior executives; it will enhance the capability to handle this risk.

#### **1.9.6 Risk from unrest**

The unset situation in domestic market is not quite stable as usual, it may leads to reducing the number of moviegoers and leads to decreasing MAJOR revenue. MAJOR always places importance on security measures in order to reduce the chance for any disorder in the area under MAJOR jurisdiction. The company is also equipped with CCTV system and metal-detection machines to further secure the property for all people concerned.



Table 1.11 Risk Matrixes

Risk Assessment Metrix					
Consequence Probability	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain					
Likely			Risk from Firm Release	Risk from Operation	
Moderate		Risk from Competition			
Unlikely		Risk from Management & Risk from Unrest			
Rare	Risk from New Expansion				



## CHAPTER II DATA

### 2.1 Major Cineplex business structure

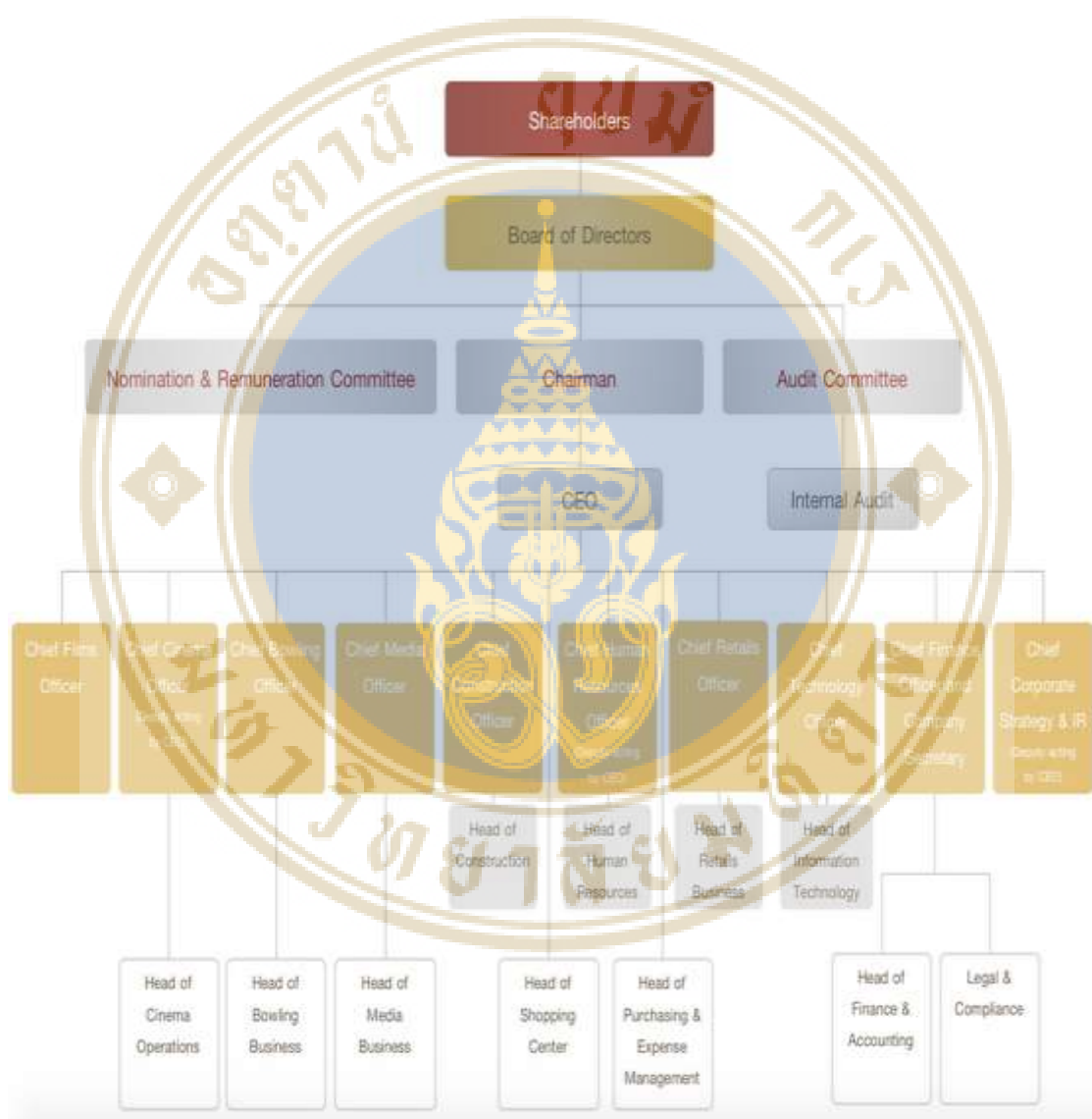


Figure 2.1 Organization structure

<b>Free Float As of 05/03/2014</b>		
Minor Shareholders (Free float)		5,687
% Shares in Minor Shareholders (% Free float)		44.92

Remark: Updated as of the latest book closing date.

<b>Overview As of 26/08/2014 Rights Type : XD</b>		
Total Shareholders		5,682
% Shares in Scripless Holding		90.94

<b>Rank</b>	<b>Major Shareholders</b>	<b># Shares</b>	<b>% Shares</b>
1.	นายวิชา พูลวรลักษณ์	306,140,100	34.46
2.	STATE STREET BANK AND TRUST COMPANY	72,249,000	8.13
3.	บริษัท ไทยเอ็นวีดีอาร์ จำกัด	69,047,507	7.77
4.	STATE STREET BANK EUROPE LIMITED	54,154,214	6.10
5.	นางภารดี พูลวรลักษณ์	30,470,436	3.43
6.	LITLEDOWN NOMINEES LIMITED 3	29,179,000	3.28
7.	THE BANK OF NEW YORK (NOMINEES) LIMITED	25,000,400	2.81
8.	THE BANK OF NEW YORK MELLON	22,644,700	2.55
9.	CHASE NOMINEES LIMITED 50	17,781,700	2.00
10.	MORGAN STANLEY & CO. INTERNATIONAL PLC	16,269,500	1.83
11.	HSBC (SINGAPORE) NOMINEES PTE LTD	14,000,100	1.58
12.	CHASE NOMINEES LIMITED 42	10,059,300	1.13
13.	PERSHING LLC	8,082,749	0.91
14.	GIC PRIVATE LIMITED - C	7,940,600	0.89
15.	N.C.B.TRUST LIMITED-MONTLAKE UCITS PLATFORM PLC-SKYLINE UCITS FUND	7,200,000	0.81
16.	NORBAX INC.,13	6,940,300	0.78
17.	NORBAX INC.,79	6,599,935	0.74
18.	บริษัท เมืองไทยประกันชีวิต จำกัด (มหาชน)	6,350,000	0.71
19.	UBS AG SINGAPORE BRANCH	5,594,800	0.63
20.	MORGAN STANLEY SMITH BARNEY LLC	5,482,033	0.62
21.	CHASE NOMINEES LIMITED	5,324,600	0.60

Figure 2.2. Major Shareholders and Free float

## 2.2 SWOT Analysis

### 2.2.1 Strengths

Reputation: MAJOR Cineplex Group is the leading entertainment company in Thailand which owns the majority of marker shares about 80% of the overall industry. Moreover, the company also well-known as one of the world's best cinema and lifestyle entertainment complex provider.

Variety of Products and Services: The core business of MAJOR includes many entertainment activities such as cinema, bowling, karaoke, ice skating rink, and etc., customers will have much more choices to come to MAJOR Cineplex for entertaining themselves, it is not only the business expansion, it also help the company to expand its customer bases to be covering people at all ages.

Strong Brand Awareness: Because the logo of the company is quite prominent and easy to remember, together with various activities provided, talking about entertainment people will think about MAJOR Cineplex. It establishes the relationship between company and customers which is one of the ways to increase the brand awareness in customers' perspectives accordingly.

Effective Marketing Strategies: MAJO Cineplex always develops lots of marketing plans such as discount on weekdays, membership card (M-GEN) privileges, promotion with credit cards, movie bucket set, special movie premiere event, and etc. to attract customers.

Continuous Growth: MAJOR has a plan to expand its business into every part of Thailand. For example, the company has a plan to increase cinemas to be 1,000 screens within year 2020. It will make this firm can gain more market shares and increase its bargaining power with all stakeholders in the industry.

### **2.2.2 Weaknesses**

Cost of Expansion: To expand the business according to the plan, MAJOR required a huge amount of initial investment. This situation will affect the financial performance of the company.

Difficulty of Quality Control: Even maximizing satisfaction of customers is one of the most important missions of MAJOR Cineplex, sometimes having more branches is difficult for the company to control quality of products and services provided to customers, especially in rural areas.

High Rate of Charge: The price of foods and beverages is very high, comparing with minimart or supermarket, especially, popcorns at the cinema. Most of customers choose to bring in all that stuff themselves before entering the cinema which makes MAJOR has to miss this part of revenue.

### **2.2.3 Opportunities**

Underscreened Situation: Until now, Thailand is still in the underscreened situation, especially in the rural areas, also because the shopping mall that are sprouting up rapidly & practically everywhere, it provides a good chance for MAJOR Cineplex to increase its cinemas in the market to serve more customers.

Changing of Lifestyles: New generations are in flavor of perceiving group activities as a way of relaxation, the most preferable activities are that watching movies, playing bowling, karaoke, and ice skating with friends when they have free time which helps to boost up the revenue of the MAJOR.

Variety of Both Thai & International Movies: The tough competition among movie production companies will be beneficial for MAJOR Cineplex because all those firms have to produce the as best as possible movies to serve market, cinema business is the major part of total revenues MAJOR can earned in each year, the interesting upcoming movies will attract the customers to come for the services.

Infrastructure Development: Because of mass transportation system such as BTS, MTR, etc. which makes nowadays it is very easy and comfortable for people to get to the department stores or shopping malls. It leads to increasing in MAJOR's sale volume.

### **2.2.4 Threats**

Slow Economic Recovery: Because the economy is not in a good condition recently, it might affect the revenue of MAJOR to be declined because this company serves the products and services which are classified as luxury goods. People will concern more to spend money only for necessity instead.

Coming AEC: AEC will be initiated in 2015 which will transform ASEAN into a region with free trade area, thus, the competitive level will be very high because MAJOR has to compete with other firms from other countries.

Pirated Products: One of the big problems the government sector concerns about is intellectual-property violations such as the pirated CD/DVD and free movie online, the price of this kind of products is much cheaper that the movie ticket MAJOR sold, there will be lots of people choose to buy the pirated goods instead of going to the cinema.

Motion Picture Rating System: Before each movie can be shown in the cinema, it must be rated by Ministry of Culture, sometimes the rating is specific for only a group of people which means the revenue MAJOR can get will be limited.

## **2.3 Five-force Analysis**

### **2.3.1 Threat of New Entrants – High**

Because MAJOR Cineplex is already owned about 80% of total market shares in the cinema industry and it is only a firm in Thailand who provide the full lifestyle entertainment complex – almost being monopoly in the market. People are familiar with this brand and are loyal customers. Whenever they think about entertainment, they will think about Major Cineplex. Moreover, the company has a strong relationship with its business partners and sponsors, some privileges will be provided to MAJOR. From these reasons, it created lots of difficulty for the new comers to enter in the market and compete with Major Cineplex.

Also, operating this kind of business, it requires very high financial supports, especially the initial investment in order to be successful as expectations. In addition, cost of operation is also high, all machines and equipment need to be maintained and developed all the time to meet the world's standard for maximizing the customers' satisfaction.

### **2.3.2 Bargaining power of Suppliers – Low**

For cinema business, there are a number of movie production companies, both Thai and international companies who produce and release many movies per year. However, in Thai cinema market, there are only few cinema exhibitors so that all suppliers will have low bargaining power if they want their movie to be played in the market.

For other businesses such as bowling & karaoke and ice skating rink, there is only MAJOR who provides this kind of entertainments, thus, the suppliers will have the power to bargain much lower in the industry.

### **2.3.3 Bargaining Power of Buyers – Medium**

Because there are limited firms in entertainment industry and there is only MAJOR who provides the complete one so that customers will have limited bargaining power to bargain.

However, since there are many kinds of substitution, even the customers can't bargain with the company, they can switch their preference, finding new way to entertain themselves or turn to substitute products.

### **2.3.4 Intensity of Rivalry among Competitors – High**

In Thailand, there are only 2 main firms in entertainment industry which are MAJOR Cineplex and SF Cinema that target the similar group of customers. They have to compete among each other to maintain and/ or gain more market shares in the industry.

Focusing more into cinema business, the products and services provided to customers of both MAJOR and SF are very similar so that each firm has to make itself becomes outstanding to win over the competitors.

### **2.3.5 Threats of Substitute Products – High**

Nowadays is the generation of globalization, everyone can access to the information they want via the Internet. This also affects the cinema industry because people can download and watch the movie they are interested in anywhere at any time, need not to go to the cinema.

Also, the pirated products can be easily found at cheap price, there is a possibility that people will keep the money for 1 ticket of a movie to buy 2-3 copied CD/DVD instead.

In addition, the developments of TV, there are many movie channels served to customers such as HBO, AXN, FOX, and etc. It has affected to cinema industry because some people choose to wait for rerunning on TV rather than going to the cinema.

## 2.4 Income Statement

**Table 2.1 Income statement including projection**

Appendix 5: Income statement										
Major Cineplex Group Plc.										
Major (Consolidated)										
	2009A	2010A	2011A	2012A	2013A	2014F	2015F	2016F	2017F	2018F
<b>P &amp; L STATEMENT</b>										
Net Sales	5,560.73	6,021.08	6,748.13	6,965.26	7,710.54	7,824.76	9,250.98	10,410.15	11,694.59	13,130.18
<i>Theatres</i>	3,382.00	3,402.00	4,206.00	4,312.00	5,263.00	5,000.46	5,923.76	6,476.15	7,028.55	7,580.95
<i>Bowling &amp; Karaoke</i>	491.00	467.00	4,441.00	451.00	429.00	388.44	388.44	388.44	388.44	388.44
<i>Other Business</i>	1,687.00	2,151.00	2,101.00	2,203.00	2,019.00	2,435.86	2,938.79	3,545.56	4,277.60	5,160.79
Other income	240.50	142.84	137.92	432.70	339.73	420.85	521.33	645.80	799.99	990.99
Share of profits from investment accounted for using the equity method	57.19	328.29	212.33	157.19	189.16	198.61	208.55	218.97	229.92	241.42
<b>Total revenues</b>	<b>5,858.43</b>	<b>6,492.22</b>	<b>7,098.38</b>	<b>7,555.15</b>	<b>8,239.43</b>	<b>8,444.23</b>	<b>9,980.86</b>	<b>11,274.92</b>	<b>12,724.50</b>	<b>14,362.58</b>
Cost of goods sold and rendering of services	3,919.25	3,944.51	4,417.46	4,717.43	5,011.05	5,232.70	6,186.46	6,961.63	7,820.59	8,780.61
Selling and administrative expense	1,350.87	1,462.02	1,516.98	1,640.54	1,778.71	1,841.83	2,177.54	2,450.39	2,752.73	3,090.65
Management and directors' remuneration	34.70	44.83	-	26.35	-	-	-	-	-	-
<b>Total expenses</b>	<b>5,304.82</b>	<b>5,451.35</b>	<b>5,934.43</b>	<b>6,384.32</b>	<b>6,789.76</b>	<b>7,074.53</b>	<b>8,364.01</b>	<b>9,412.03</b>	<b>10,573.32</b>	<b>11,871.26</b>
<b>Operation profit (EBIT)</b>	<b>553.61</b>	<b>1,040.86</b>	<b>1,163.95</b>	<b>1,170.83</b>	<b>1,449.67</b>	<b>1,369.70</b>	<b>1,616.85</b>	<b>1,862.89</b>	<b>2,151.18</b>	<b>2,491.32</b>
Interest expense	133.37	138.41	144.04	133.09	149.01	149.01	149.01	149.01	149.01	149.01
<b>Earning before tax (EBT)</b>	<b>420.24</b>	<b>902.45</b>	<b>1,019.91</b>	<b>1,037.74</b>	<b>1,300.65</b>	<b>1,220.68</b>	<b>1,467.84</b>	<b>1,713.88</b>	<b>2,002.17</b>	<b>2,342.31</b>
Tax	92.80	125.64	217.60	281.92	276.31	258.18	310.45	362.49	423.46	495.40
<b>Net profit (Loss)</b>	<b>327.44</b>	<b>776.81</b>	<b>802.31</b>	<b>755.83</b>	<b>1,024.34</b>	<b>962.51</b>	<b>1,157.39</b>	<b>1,351.39</b>	<b>1,578.70</b>	<b>1,846.91</b>
Dividend	215.87	168.20	379.21	344.96	443.79	385.00	462.96	540.56	631.48	738.76
No. of shares	881.90	881.90	881.90	887.58	887.58	887.58	887.58	887.58	887.58	887.58
<b>DPS</b>	<b>0.24</b>	<b>0.19</b>	<b>0.43</b>	<b>0.39</b>	<b>0.50</b>	<b>0.43</b>	<b>0.52</b>	<b>0.61</b>	<b>0.71</b>	<b>0.83</b>
<b>EPS</b>	<b>0.37</b>	<b>0.88</b>	<b>0.91</b>	<b>0.85</b>	<b>1.15</b>	<b>1.08</b>	<b>1.30</b>	<b>1.52</b>	<b>1.78</b>	<b>2.08</b>
Profit (Loss) attributable to equity holders of the parent	333.73	761.99	781.67	811.14	1,051.63	976.79	1,174.57	1,371.45	1,602.14	1,874.32
Profit (Loss) attributable to non-controlling interest	-6.29	14.82	20.64	-55.31	-27.29	-14.29	-17.18	-20.06	-23.43	-27.42
<b>Other Comprehensive Income Statement</b>										
Unrealised gain (loss) on available-for-sale financial assets	-	-	-73.47	194.17	358.53	662.02	1222.41	2257.15	4167.78	7695.71
Total other comprehensive income	-	-	728.85	950.00	1382.87	2028.10	2754.49	4037.25	5486.55	8036.82
<i>Total comprehensive income attributable to equity holders of the parent</i>	-	-	<b>708.20</b>	<b>1,005.21</b>	<b>1,410.16</b>	<b>1,989.90</b>	<b>2,807.98</b>	<b>3,962.38</b>	<b>5,591.27</b>	<b>7,890.07</b>
<i>Total comprehensive income attributable to non-controlling interest</i>	-	-	<b>20.64</b>	<b>-55.31</b>	<b>-27.29</b>	<b>38.20</b>	<b>-53.48</b>	<b>74.87</b>	<b>-104.82</b>	<b>146.75</b>



## 2.5 Balance Sheet

### Table 2.2 Balance sheet including projection

Appendix 6: Balance Sheet										
Major Cineplex Group Plc.										
Major										
(Consolidated)										
	2009A	2010A	2011A	2012A	2013A	2014F	2015F	2016F	2017F	2018F
<b>BALANCE SHEET</b>										
<b>Assets</b>										
Current asset	2,413.57	1,556.29	1,992.37	2,302.45	2,136.92	2,467.12	3,055.08	4,132.43	5,555.05	7,402.66
Cash and cash equivalents	532.02	202.16	460.80	480.73	495.68	661.25	962.96	1,623.54	1,787.82	1,987.82
Short-term investment	-	48.53	50.60	-	-	0.00	0.00	130.16	1,064.17	2,343.63
Accounts & other receivable	914.74	853.25	1,090.00	1,375.63	1,159.05	1,128.69	1,291.50	1,477.79	1,690.96	1,934.87
Inventories (net)	235.38	134.62	153.85	132.24	174.91	200.88	237.50	267.26	300.23	337.09
Other current assets	731.43	317.74	237.12	313.85	307.28	476.30	563.12	633.68	711.86	799.25
Long-term investment & loan	1,582.90	2,642.85	2,335.71	2,529.13	3,309.58	3,309.58	3,309.58	3,309.58	3,309.58	3,309.58
Fixed asset	5,709.25	5,406.00	5,180.80	5,332.13	6,696.32	7,572.50	8,333.00	8,788.00	9,243.00	9,698.00
Property, plant & equipment (NET)	5,709.25	5,406.00	5,180.80	5,332.13	6,696.32	7,572.50	8,333.00	8,788.00	9,243.00	9,698.00
Other asset	1,563.44	1,427.80	1,478.96	1,338.28	1,486.94	1,401.78	1,537.71	1,648.19	1,770.62	1,907.45
Goodwill	338.41	338.41	342.11	287.07	287.07	287.07	287.07	287.07	287.07	287.07
Deferred leasehold right	-	-	-	520.94	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	0.32	0.32	0.32	0.32	0.32	0.32
Intangible assets (NET)	500.69	418.35	424.76	367.32	368.60	368.60	368.60	368.60	368.60	368.60
Other non-current financial assets	-	-	-	12.78	-	-	-	-	-	-
Other non-current assets	724.33	671.04	712.09	150.17	830.96	745.80	881.73	992.22	1,114.64	1,251.47
<b>TOTAL ASSETS</b>	<b>11,269.15</b>	<b>11,032.93</b>	<b>10,987.84</b>	<b>11,501.99</b>	<b>13,629.76</b>	<b>14,750.97</b>	<b>16,235.36</b>	<b>17,878.20</b>	<b>19,878.24</b>	<b>22,317.68</b>
<b>Liabilities &amp; shareholders' equity</b>										
Current liability	3,725.50	2,015.86	3,505.36	3,473.77	4,351.55	4,426.71	4,785.12	5,072.87	5,394.19	5,753.39
Accounts payable	651.70	575.55	1,260.88	953.48	1,736.38	1,201.69	1,422.07	1,597.64	1,794.66	2,014.93
Short-term debt	2,067.94	656.21	2,019.51	1,682.26	2,467.77	2,467.77	2,467.77	2,467.77	2,467.77	2,467.77
- Short-term loans	-	-	-	-	25.00	25.00	25.00	25.00	25.00	25.00
- Current long-term debt	318.13	158.83	1,546.39	880.79	203.85	203.85	203.85	203.85	203.85	203.85
- Bank overdrafts & short-term borrowing	1,749.81	497.38	473.12	801.47	2,238.93	2,238.93	2,238.93	2,238.93	2,238.93	2,238.93
Other current liabilities	1,005.86	784.10	224.97	838.03	147.40	757.25	895.28	1,007.46	1,131.76	1,270.69
Long-term liability	1,672.05	2,886.74	967.00	1,169.70	2,351.86	2,351.86	2,351.86	2,351.86	2,351.86	2,351.86
Long-term loans & borrowings (NET)	1,672.05	2,886.74	967.00	1,169.70	2,351.86	2,351.86	2,351.86	2,351.86	2,351.86	2,351.86
Other liability	482.69	456.81	459.05	473.72	827.02	1,113.95	1,251.97	1,364.15	1,488.45	1,627.38
Post employee benefit obligations	-	-	16.53	18.87	22.92	22.92	22.92	22.92	22.92	22.92
Deferred tax liabilities	-	-	-	-	333.77	333.77	333.77	333.77	333.77	333.77
Other non-current liabilities	482.69	456.81	442.52	454.85	470.32	757.25	895.28	1,007.46	1,131.76	1,270.69
<b>TOTAL LIABILITIES</b>	<b>5,880.23</b>	<b>5,359.42</b>	<b>4,931.42</b>	<b>5,117.18</b>	<b>7,530.43</b>	<b>7,892.52</b>	<b>8,388.95</b>	<b>8,788.88</b>	<b>9,234.51</b>	<b>9,732.64</b>
Shareholder's equity	4,448.88	4,397.36	4,880.24	5,156.12	5,190.10	5,190.10	5,190.10	5,190.10	5,190.10	5,190.10
Authorized share capital	906.00	906.00	906.00	904.50	896.27	896.27	896.27	896.27	896.27	896.27
Paid-up capital	881.90	881.90	881.90	887.58	887.58	887.58	887.58	887.58	887.58	887.58
Warrants premium	-	-	-	9.19	21.44	21.44	21.44	21.44	21.44	21.44
Share premium	3,839.67	3,839.67	3,839.67	3,919.50	3,919.50	3,919.50	3,919.50	3,919.50	3,919.50	3,919.50
Treasury shares / shares of the company held by subsidia	-267.92	-267.92	-	-	-	-	-	-	-	-
Other equities	-4.77	-56.29	158.67	339.85	361.58	361.58	361.58	361.58	361.58	361.58
Retained earning	839.60	1,139.05	1,019.30	1,141.55	912.88	1,557.03	2,528.95	3,751.69	5,280.87	7,190.67
Appropriated	358.52	358.52	90.60	90.60	90.60	90.60	90.60	90.60	90.60	90.60
Unappropriated	481.08	780.53	928.70	1,050.95	822.28	443.66	276.33	541.57	943.18	1,505.73
Reinvestment	-	-	-	-	-	876.18	760.50	455.00	455.00	455.00
MAJORITY	5,288.48	5,536.41	5,899.54	6,297.67	6,102.98	6,747.13	7,719.06	8,941.79	10,470.97	12,380.77
MONORITY	100.44	137.10	156.88	87.15	-3.65	111.32	127.36	147.53	172.76	204.27
<b>TOTAL EQUITIES</b>	<b>5,388.92</b>	<b>5,673.51</b>	<b>6,056.42</b>	<b>6,384.81</b>	<b>6,099.33</b>	<b>6,858.45</b>	<b>7,846.41</b>	<b>9,089.31</b>	<b>10,643.73</b>	<b>12,585.04</b>
<b>TOTAL LIABILITIES &amp; EQUITIES</b>	<b>11,269.15</b>	<b>11,032.93</b>	<b>10,987.84</b>	<b>11,501.99</b>	<b>13,629.76</b>	<b>14,750.97</b>	<b>16,235.36</b>	<b>17,878.20</b>	<b>19,878.24</b>	<b>22,317.68</b>

## 2.6 Statement of cash flow

### Table 2.3 Statement of cash flow including projection

Appendix 7 : Cash flow statement										
Major Cineplex Group Plc.										
Major										
(Consolidated)										
	2009A	2010A	2011A	2012A	2013A	2014F	2015F	2016F	2017F	2018F
<b>STATEMENT OF CASHFLOW</b>										
<b>From operating activities</b>										
EBIT	553.61	1,040.86	1,163.95	1,170.83	1,449.67	1,369.70	1,616.85	1,862.89	2,151.18	2,491.32
Share in associates' earnings	-57.19	-328.29	-212.33	-157.19	-189.16	-198.61	-208.55	-218.97	-229.92	-241.42
Unrealized forex loss (gain)	-	-	-	-	-	-	-	-	-	-
Loss (profit) from asset disposal	-68.32	33.17	26.21	-170.11	-207.47	-	-	-	-	-
(Gain)Loss on sales of investments in Subsidiaries and Associates	-96.44	0	-22.67	-210.27	-221.48	-	-	-	-	-
(Gain)Loss on Disposal of other Investments	-3.04	-13.92	33.47	-3.40	-	-	-	-	-	-
(Gain)Loss on Disposal of Fixed Assets	-0.751	-1.88	-4.44	-6.89	10.31	-	-	-	-	-
Loss on write-off fixed Assets	31.91	48.96	19.86	50.46	-3.71	-	-	-	-	-
Allowances & provisions	74.47	-8.78	12.21	106.75	34.71	-	-	-	-	-
Bad Debt and Doubtful Accounts (Reversal)	23.94	5.69	0.40392	13.82	2.43	-	-	-	-	-
Loss on Obsolescence (Reversal)	7.31	7.23	-2.18	32.95	-1.21	-	-	-	-	-
Loss on Diminution in value of Inventories (reversal)	-	-	-	-	-12.86	-	-	-	-	-
Impairment Loss of Other Assets (Reversal)	39.56	-21.76	9.06	55.05	46.34	-	-	-	-	-
Loss on Write-off Intangible Assets	3.67	-	-	-	-	-	-	-	-	-
Loss on Write-off other assets	-	0.06	4.93	4.93	-	-	-	-	-	-
Financial Costs	133.37	138.41	144.04	133.09	149.01	152.65	156.38	160.20	164.11	168.12
Other Reconciliation Items	693.98	-516.84	-146.46	-716.46	-160.65	-	-	-	-	-
Depreciation & amortization	1,137.10	1,174.42	984.10	1,082.79	1,065.28	1,093.26	1,121.97	1,151.43	1,181.67	1,212.71
Minorities	-6.29	14.82	20.64	-55.31	-27.29	-14.29	-17.18	-20.06	-23.43	-27.42
Gross operating cashflow	2,466.88	1,572.15	2,030.77	1,331.02	1,941.35	2,402.70	2,669.48	2,935.49	3,243.61	3,603.31
Decrease (Increase) in working capital	179.20	86.11	429.33	-571.42	956.82	-530.31	20.96	-40.48	-49.12	-60.50
Changes in other current asset (net)	-806.42	219.36	-533.86	1,110.57	-1,349.38	812.93	53.30	43.32	48.00	53.65
Cash generated from operations	1,839.66	1,877.62	1,926.24	1,870.18	1,548.79	2,685.33	2,743.73	2,938.33	3,242.48	3,596.46
Interest Paid	-126.00	-130.85	-142.87	-127.68	-134.43	-134.43	-134.43	-134.43	-134.43	-134.43
Income Tax Paid	-125.49	-92.16	-199.00	-238.53	-403.31	-258.177	-310.451	-362.489	-423.463	-495.403
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>1,588.17</b>	<b>1,654.62</b>	<b>1,584.38</b>	<b>1,503.97</b>	<b>1,011.05</b>	<b>2,292.72</b>	<b>2,298.85</b>	<b>2,441.41</b>	<b>2,684.59</b>	<b>2,966.62</b>
<b>From investing activities</b>										
Short-term investment (increase)	173.04	-48.69	0.09085	53.22	-	-	-	130.16	934.01	1,279.46
Long term investment	-91.815	-562.2277	59.33097	91.618	-241.62358	-	-	-	-	-
Capital expenditure	-	-	-	-	-	-	-	-	-	-
Fixed assets	-1,139.04	-306.38	-303.90	-443.45	-693.47	-876.18	-760.50	-455.00	-455.00	-455.00
Dividend received	73.60	108.10	347.69	124.13	136.95	189.03	260.90	360.10	497.01	685.98
INTEREST RECEIVED	-	9.81	21.15	20.34	38.11	-	-	-	-	-
(INCREASE) DECREASE IN INTANGIBLE ASSETS	-564.58	-402.99	-388.36	-488.88	-419.74	-398.22	-377.80	-358.43	-340.05	-322.61
OTHER ITEMS	-323.54	42.06	-	-16.53	-	-	-	-	-	-
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>-1872.34</b>	<b>-1160.32856</b>	<b>-263.9976</b>	<b>-659.562</b>	<b>-1179.76387</b>	<b>-1085.37</b>	<b>-877.4008015</b>	<b>-583.4948166</b>	<b>-1232.044407</b>	<b>-1371.086095</b>
<b>From financing activities</b>										
Short-term & long-term debts (net)	1182.307	-198.75347	-547.5385	-138.574	1413.57103	-	-	-	-	-
PROCEEDS FROM ISSUANCE OF SHARE CAPITAL	-	-	-	-	-	-	-	-	-	-
PURCHASE OF TREASURY SHARES	-252.37	-	-	-	-	-	-	-	-	-
PROCEEDS FROM DISPOSAL OF TREASURY SHARES	-	-	556.34	-	-	-	-	-	-	-
Dividend payments	-215.87	-462.54	-888.02	-699.73	-869.70	-385.00	-462.96	-540.56	-631.48	-738.76
Others	0.254	-0.05301	-0.06726	83.56	-383.95	-656.78	-656.78	-656.78	-656.78	-656.78
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>714.319</b>	<b>-661.34562</b>	<b>-879.28198</b>	<b>-754.745</b>	<b>159.92194</b>	<b>-1041.78</b>	<b>-1119.74</b>	<b>-1197.34</b>	<b>-1288.26</b>	<b>-1395.54</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>430.15</b>	<b>-167.06</b>	<b>441.10</b>	<b>89.67</b>	<b>-8.79</b>	<b>165.57</b>	<b>301.71</b>	<b>660.58</b>	<b>164.29</b>	<b>200.00</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>241.39</b>	<b>532.02</b>	<b>202.16</b>	<b>460.80</b>	<b>480.73</b>	<b>495.68</b>	<b>661.25</b>	<b>962.96</b>	<b>1,623.54</b>	<b>1,787.82</b>
<b>Cash and cash equivalents at end of year</b>	<b>671.54</b>	<b>364.96</b>	<b>643.26</b>	<b>550.47</b>	<b>471.94</b>	<b>661.25</b>	<b>962.96</b>	<b>1,623.54</b>	<b>1,787.82</b>	<b>1,987.82</b>
<b>Free cashflow</b>	<b>449.124</b>	<b>1,348.236</b>	<b>1,280.475</b>	<b>1,060.523</b>	<b>317.582</b>	<b>1,416.538</b>	<b>1,538.349</b>	<b>1,986.409</b>	<b>2,229.592</b>	<b>2,511.624</b>
<b>Working capital</b>	<b>498.416</b>	<b>412.308</b>	<b>-17.025</b>	<b>554.391</b>	<b>-402.426</b>	<b>127.886</b>	<b>106.928</b>	<b>147.408</b>	<b>196.530</b>	<b>257.032</b>
<b>Net liquid balance</b>	<b>3,207.97</b>	<b>3,292.26</b>	<b>2,475.12</b>	<b>2,371.22</b>	<b>4,323.95</b>	<b>4,158.39</b>	<b>3,856.68</b>	<b>3,065.93</b>	<b>1,967.64</b>	<b>488.19</b>

## 2.7 Corporate Governance

Corporate Governance (CG) practice guideline for listed companies. With this in mind, the Company's Board of Directors and the management has implemented, reviewed and improved good corporate governance practice to ensure that the Company has an efficient and transparent management system. The Company also strongly respects shareholders' right and has equal treatment towards shareholders; providing accurate, sufficient and timely disclosure of significant information for the best benefits of shareholders; clearly defining qualifications of independent directors; appointing various committees; stipulating roles and responsibilities of its directors and top level management; and continuously encouraging directors and executives' skill development. Such measures have been carried out to create and strengthen confidence among the Company's shareholders, investors, stakeholders and all concerned parties that MAJOR's business operations fully comply with good corporate governance practice and business ethic. The Company shall be perceived as a quality listed company with high responsibility and transparency in all parts of its operation. Since 2009, the Company has implemented and maintained good corporate governance practices, which can be divided into 5 sections as follows :

- Shareholders' right
- Equitable treatment towards shareholders
- Roles of stakeholders
- Information disclosure and transparency
- The Board of Directors' Responsibilities

## 2.8 Weighted Average Cost of Capital Assumption

### 2.8.1 Terminal growth rate

The information of growth came from the average historical nominal GDP for recent 12 quarters from Bank of Thailand. The reason these numbers was used to represent company growth is that because it is highly correlated with actual sales

volume in year 2009-2013 about 95%. Thus, it can be concluded that GDP growth rate can determine the growth rate of MAJOR business equal to 2.52%

**Table 2.4 Thailand GDP during 2009-2013**

Year	GDP Growth
2011Q4	-8.9
2012Q1	0.4
2012Q2	4.4
2012Q3	3.1
2012Q4	19.1
2013Q1	5.4
2013Q2	2.9
2013Q3	2.7
2013Q4	0.6
2014Q1	-0.5
2014Q2	0.4
2014Q3	0.6
Average	2.52

## 2.8.2 Free Cash Flow to Firm

**Table 2.5 Free Cash Flow to Firm 2009-2018**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
EBIT	553.61	1,040.86	1,163.95	1,170.83	1,449.67	1,369.70	1,616.85	1,862.89	2,151.18	2,491.32
Tax paid	-92.80	-125.64	-217.60	-281.92	-276.31	-258.18	-310.45	-362.49	-423.46	-495.40
Depreciation & amortization	1,137.10	1,174.42	984.10	1,082.79	1,065.28	1,093.26	1,121.97	1,151.43	1,181.67	1,212.71
Net change in working capital & other current assets	-627.22	305.47013	-104.52758	539.15645	-392.56496	282.6227478	74.25405923	2.837080128	-1.123472919	-6.854851956
<b>Net operating cash flows</b>	970.68	2,395.11	1,825.92	2,510.86	1,846.07	2,487.40	2,502.62	2,654.67	2,908.27	3,201.77
Capital expenditures	-1,139.04	-306.38	-303.90	-443.45	-693.47	-876.18	-760.50	-455.00	-455.00	-455.00
<b>Free cash flows</b>	-168.363	2,088.723	1,522.021	2,067.411	1,152.605	1,611.218	1,742.125	2,199.673	2,453.267	2,746.769
										55,119.89
	-168.363	2,088.723	1,522.021	2,067.411	1,152.605	1,611.218	1,742.125	2,199.673	2,453.267	57,866.663

### **2.8.3 Weight of debt**

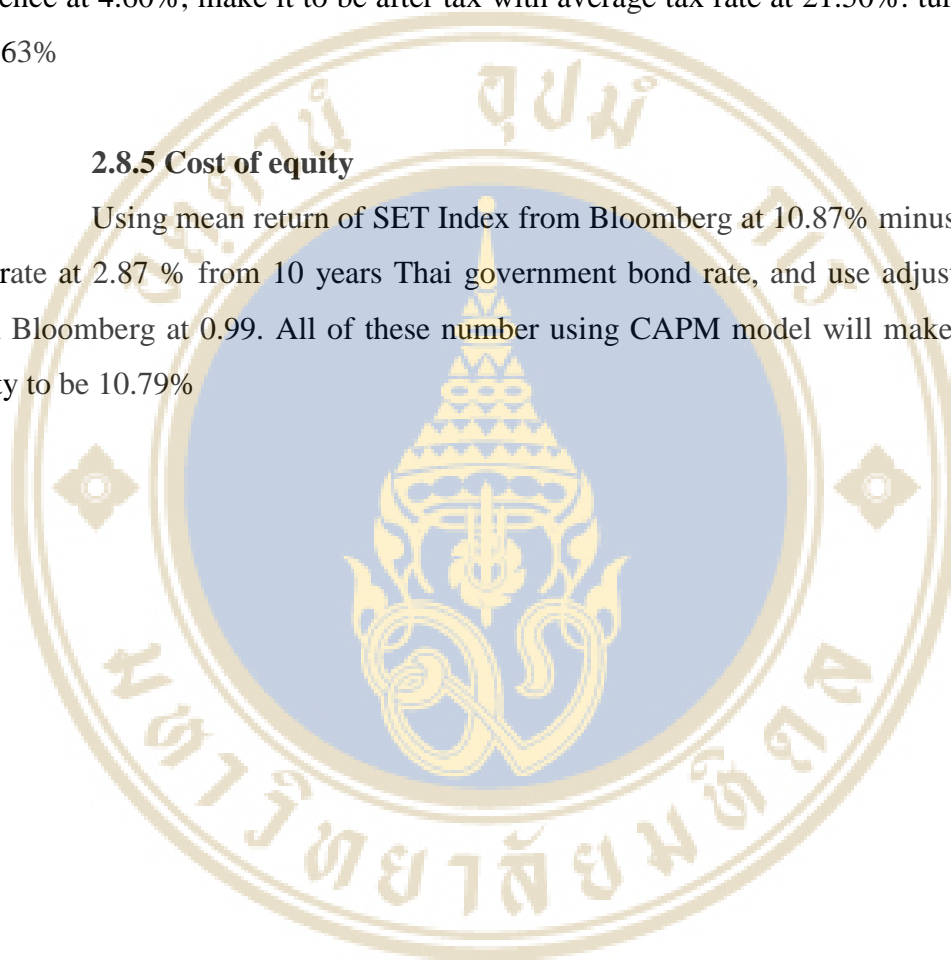
We decide to use the last year total short term and long term debt ratio to present capital structure of firm which the number is 44.14%

### **2.8.4 Cost of debt**

Using the longest outstanding maturity bond yield - MAJOR178A as a reference at 4.60%, make it to be after tax with average tax rate at 21.50%. turn out to be 3.63%

### **2.8.5 Cost of equity**

Using mean return of SET Index from Bloomberg at 10.87% minus by risk free rate at 2.87 % from 10 years Thai government bond rate, and use adjusted beta from Bloomberg at 0.99. All of these number using CAPM model will make cost of equity to be 10.79%



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