

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

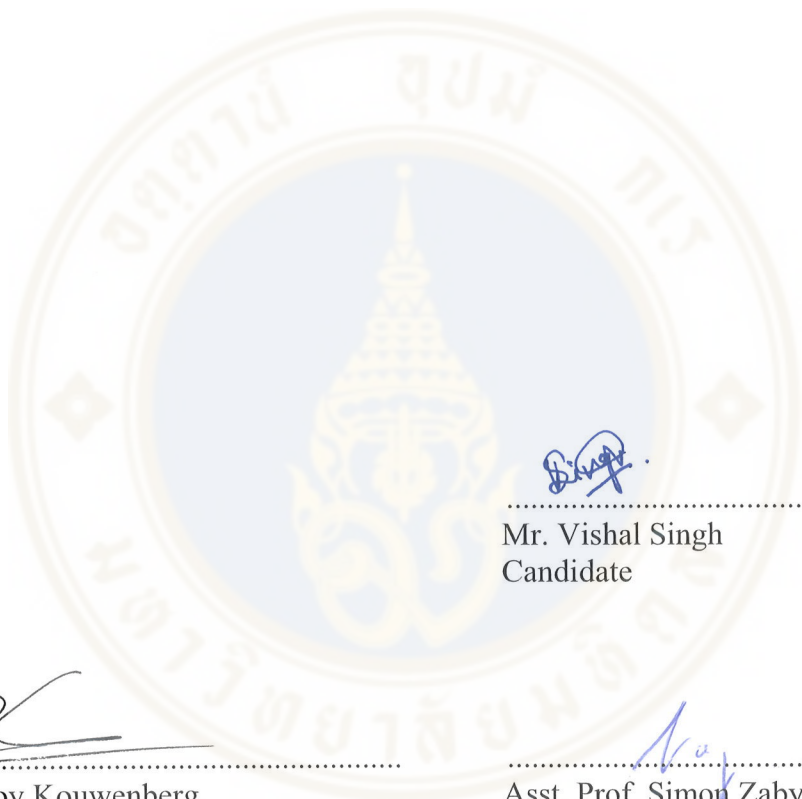


VISHAL SINGH

**A THEMATIC PAPER SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR
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COLLEGE OF MANAGEMENT
MAHIDOL UNIVERSITY
2024**

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

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M.M. (CORPORATE FINANCE)

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ABSTRACT

This thematic paper applies the Discounted Cash Flow (DCF) model to evaluate the stock price of Major Cineplex Group Public Company (MAJOR). The DCF method is a fundamental valuation approach that estimates a company's intrinsic value by forecasting its future cash flows and discounting them to their present value. This analysis involves projecting the company's free cash flows and determining an appropriate discount rate to reflect the time value of money and risk. By employing the DCF model, we aim to derive a more comprehensive valuation of Major Cineplex's stock price.

The DCF analysis results in a target price of \$0.64 per share for Major Cineplex, indicating an 81% upside potential compared to the current price of \$0.26 per share. Therefore, based on our DCF evaluation, we recommend a BUY.

KEY WORDS: MAJOR CINEPLEX/ VALUATION/ DISCOUNTED CASH FLOW/ BUSINESS STRATEGY

65 pages

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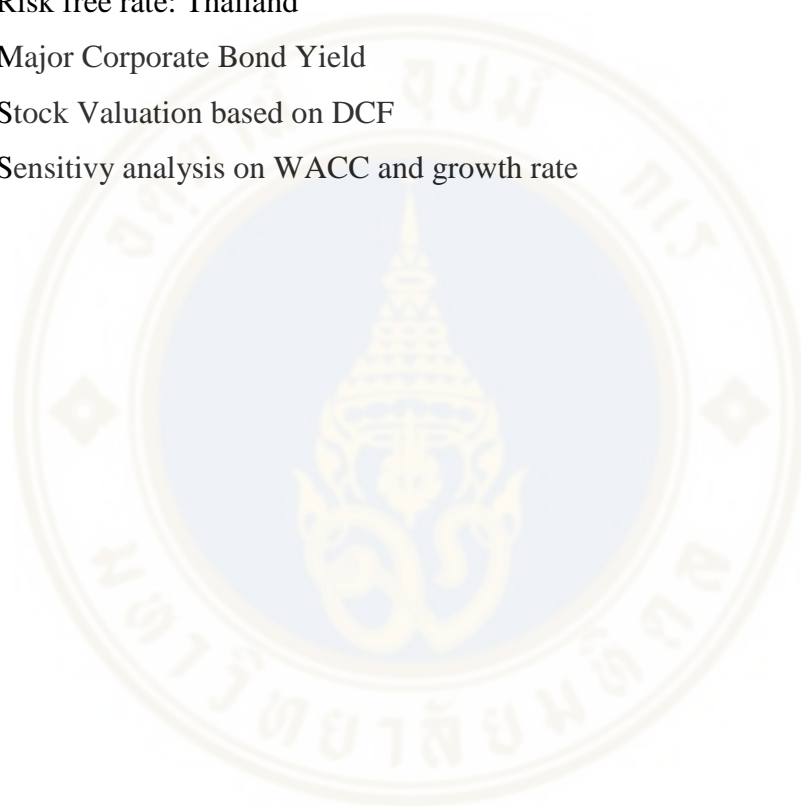
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CHAPTER I

INTRODUCTION

First of all, we would like to provide a brief introduction and the background of Major Cineplex, where we will go through the history and how major events transpired in the growth of Major Cineplex. Major Cineplex Group Public Company Limited was established in 1995 under the vision of Mr. Vicha Poolvaraluk, to provide Thai customers with a world-class cinema viewing experience. The Company was listed as a public limited company in the Stock Exchange of Thailand (SEC) in May 2002 and was abbreviated as MAJOR. Mr Vicha Poolvaraluk wanted to bring the international standards of theatres worldwide into the Thai market. Initially, Major Cineplex started by operating movie theatres but eventually transitioned into a lifestyle entertainment centre in Thailand. Major went on to add entertainment activities like bowling, karaoke, ice skating, etc. to enhance the customer experience. By adding these elements to their portfolio they were now viewed as a lifestyle entertainment center rather than just a movie theater. Major Cineplex has always been lauded for providing the best-in-class entertainment service by integrating advanced technology and luxurious amenities to enhance customer experience. The company has also grown through a disciplined approach towards strategic acquisitions and partnerships helping it obtain an impressive 70% market share in Thailand.

CHAPTER II

BUSINESS DESCRIPTION

2.1 Business Overview

Under Business Overview, we will cover the topics related to their product portfolio, market reach and revenue structure. We will then analyze how Major Cineplex has managed to stay ahead of the curve by utilizing its unique Competitive Strategies. Following that, we would look through the current company structure and understand the key shareholders in Major Cineplex. Lastly, we will look through their corporate governance policy and their key strategies towards sustainability and corporate social responsibility.

2.1.1 Product Portfolio

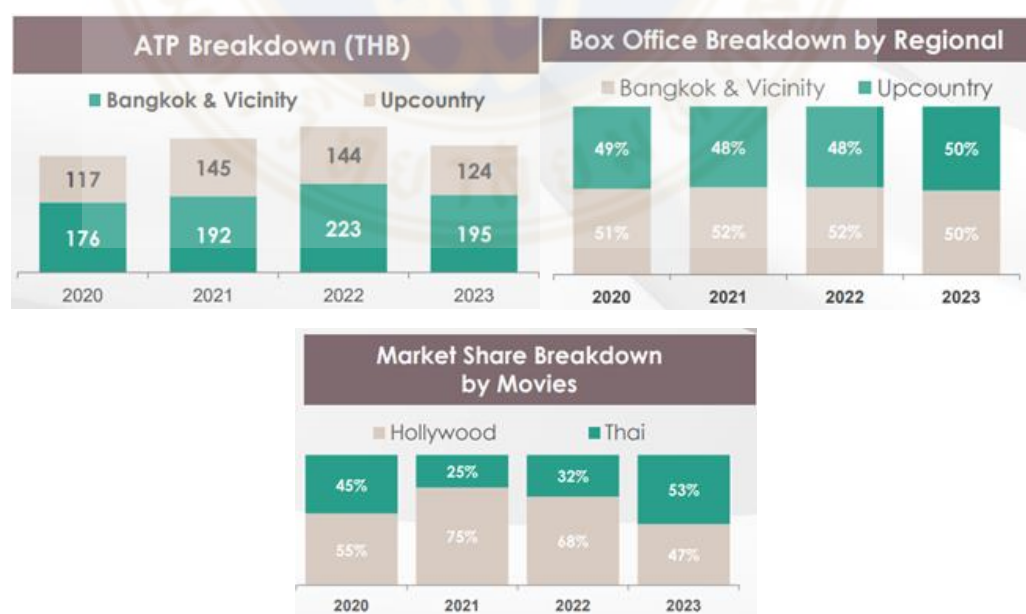
Major Cineplex offers a diverse range of entertainment activities to customers, making it a one-stop solution for customers. The major part of the product portfolio consists of movie theatres, ice skating, bowling, and karaoke and also provides a snacking corner to the customers in the form of popcorn and drinks. Major Cineplex has strategically managed to provide a customer offering for all types of segments by classifying their cinema experience into different categories which helps cater for the different needs of each customer segment. Each cinema offers its own unique experience. Below is a list of the different categories of Cineplex being operated by Major Cineplex and the segmentation of the categories is done based on the purchasing power of the customer.

Table 2.1 Pricing structure in different market segment

Brand Type	Price Range (Baht)	Customer Segment	Region
Major Cineplex	120-300	Mid-Low	BKK & UPC
EGV	100-250	Low-Mid	UPC
Paragon Cineplex	200-500	High-Mid	BKK
Quartier CineArt	200-500	High-Mid	BKK
Esplanade Cineplex	120-300	Mid-Low	BKK & UPC

Source: MAJOR's Annual Report,2024

A significant portion of the movie theatres operated by Major Cineplex is located in Bangkok, accounting for approximately 52% of their total venues. This trend has been consistent in previous years, as it aligns with Major Cineplex's strategy to operate in areas with higher purchasing power. The average ticket price generated for both the areas: BKK and UPC has a difference because Major has strategically priced its tickets to suit the customer's purchasing power. With the purchasing power of customers in Bangkok being higher, it is no surprise that it has resulted in a higher average ticket price.

**Figure 2.1 ATP, Box Office Revenue, Market Share Breakdown By Region**

Source: MAJOR's Annual Report, 2024

The box office breakdown by region depicts that the revenue contributions from both regions have stayed largely in an equal split. This highlights Major Cineplex's intentional placement in higher-density urban areas as well as more expansive upcountry regions, serving a variety of Thai customers. The categorisation of cinemas for different segments proves to be working successfully as the breakdown shows a clear even split.

2.1.2 Revenue Structure

Major Cineplex has six major lines of business with the majority of the revenue contribution coming from movie ticket sales and concessions. These two lines of business usually form around 75 to 80% of the revenue contribution every year. The graph below depicts how the revenue portfolio has remained constant over the years.

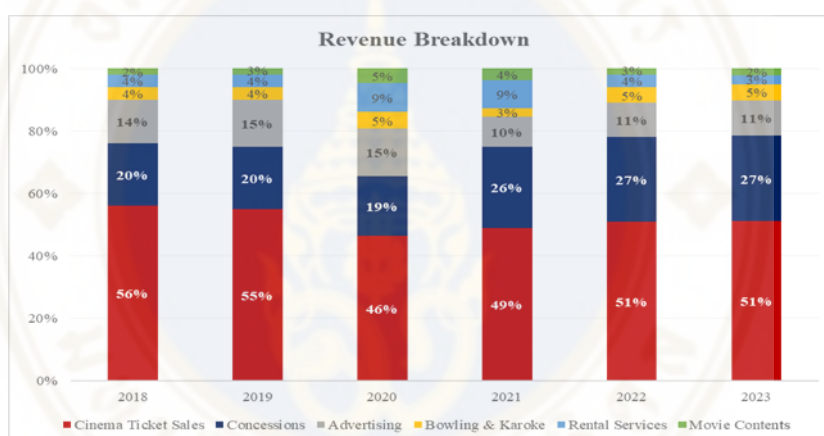


Figure 2.2 Revenue Structure by Product Lines

Source: MAJOR's Annual Report, 2024

The six main lines of business and their characteristics are listed below, highlighting how each of these lines of business contributes towards the revenue of the group:

- Cinema Ticket Sales:** The company has a total of 180 branches, and 838 theatres and can accommodate up to 186,221 seats. This is the main source of revenue contribution for Major at constantly around 50-55% over the years. However, it must be noted that the gross margins on movie ticket sales are very thin at 10%-15%. Regardless of the slim margins, it is the main line of business which acts as an attractive hook to drive the customers into their entertainment complexes. They can generate their profits

from other lines of business but Major needs to ensure constant investment is made into growing the cinemas into world-class standards as the main value proposition for the customers in Major is watching a movie, with the other being just a subset to enhance their entertainment experience.

Major Cineplex has also been very successful with its subscription-based loyalty programs. They have successfully garnered the attention of customers and teenagers who can be counted as movie buffs. The two loyalty programs are mainly: M-GEN, which primarily targets students who are currently enrolled in colleges and universities and provides them with the option of viewing unlimited movies at an attractive price of THB 300/month. The same goes for the M-PASS program, where this is targeted towards customers that have already graduated and offers them an attractive price of only THB 400/month. The success of these subscription-based programs is evident from the growth of the customers opting for the loyalty programs. The average ticket price will usually take a dip when more customers opt for M-PASS programs. The average revenue per user will decline whenever there is an increase in M-PASS customers.

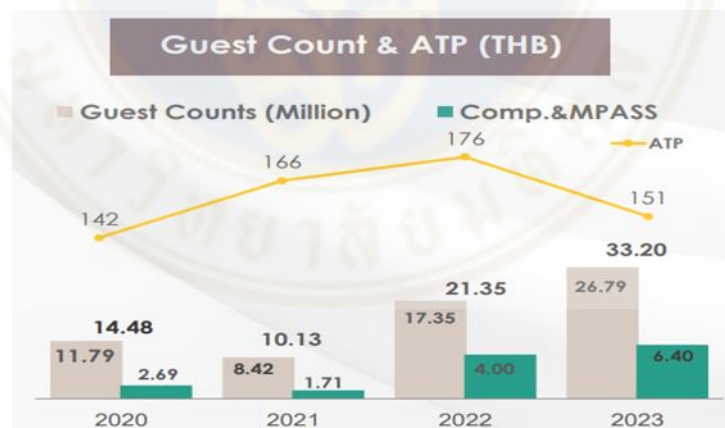


Figure 2.3 Guest Count and Average Ticket Price from 2020-2023

Source: MAJOR's Annual Report, 2024

- **Concessions:** This is where the actual profits are made by Major Cineplex and can be regarded as the cash cow of the business. Even though the revenue contribution in the business for concessions stands at around 20-25%, it must be noted that their impressive gross margins of around 65% to 70% mean that a major source of gross

profits is contributed by concessions. However, concessions are something that are reliant on movie ticket sales which means that the revenue for the concessions has a high correlation with movie ticket sales. In simpler words, customers buy popcorn and drink only when they watch a movie. It is a very rare instance that a customer would walk into Major just to buy popcorn. This is the main reason that for the concessions business to grow the movie ticket sales must increase as well. Currently, the concessions to box office ratio stands at 62% which means that for every 100 baht spent on movie ticket sales, customers are spending another 62 baht on concessions as well. If we compare the % con to box ratio this has seen an impressive growth from 46% in 2020 to 62% in 2023.

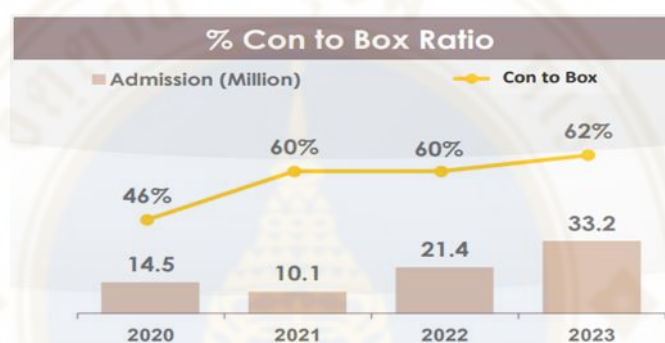


Figure 2.4 Percentage of Concession Revenue to Box Office Revenue Ratio

Source: MAJOR's Annual Report, 2024

Major Cineplex understands that the revenue generation of the concessions business has always been tied to movie ticket sales and wants to diversify the concessions business. The pivot towards partnering up with food delivery partners such as Grab and Lineman is seen as an impressive move in turning around and making the concession business survive. They offer various products through delivery services like Popcorn with various flavours such as caramel, cheese, butter, and mixed, Soft Drinks in different sizes of sodas, often sold in combo deals with popcorn, Snack Combos, Movie Merchandise, Nachos and Cheese and Hot Dogs.

This has been an intentional strategy implemented by Major and they are calling this the out-of-cinema concessions strategy. The out-of-cinema concessions sales are primarily distributed through e-commerce, modern trade, kiosks, delivery partners, etc.

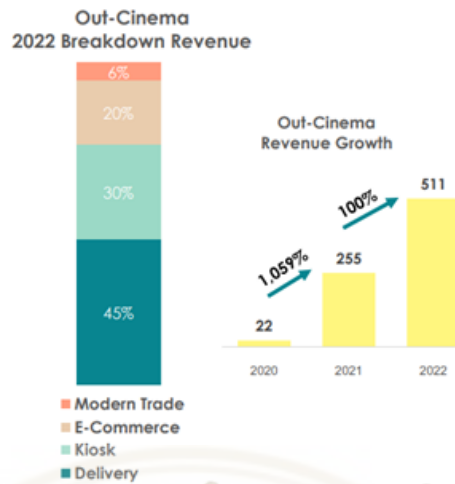


Figure 2.5 Adhoc Out-Cinema Revenue Growth

Source: MAJOR's Annual Report, 2024

- Advertising: A line of business which is again very profitable for Major. The advertising business has an impressive gross profit margin of 85%. Even though the revenue contribution to the business is not a lot it stands at ~10%, its impressive gross profit margins mean that a lot of the revenue generated is going directly to the gross profit pool. Major Cineplex acts as an epicenter for all the various businesses to come through and advertise their upcoming launch products as these businesses can directly capture the benefits of the high footfall Major Cineplex enjoys. The control that Major Cineplex has over the advertisements that will be run before the movie starts is what makes this segment extremely controllable and profitable. The gross profit margin of 85% depicts that there are no additional costs that are required to run the advertising business as most of it can be counted as a sub-set to the theatre business.



Figure 2.6 Revenue Contribution by Service Lines

Source: MAJOR's Annual Report, 2024

- **Bowling:** Major started its bowling business back in 1997 with twenty bowling lanes in Sukhumvit. This is a concept that has been brought from the Western countries into the Thai market where bowling centres are part of an entertainment complex and to provide the full experience of being a one-stop solution for entertainment, Majors went on to add this line of business into the customer offering. This has allowed Major Cineplex to earn more revenue per customer when they opt to watch a movie in the theatres. There were a total of 11 branches providing services of 245 bowling lanes, 118 karaoke rooms and 4 ice-skating rinks. The bowling groups have been constantly having an impressive gross margin of approximately 45%. However, it must be noted that the bowling group's revenue is directly correlated with the rise and fall of cinema ticket sales, just like the concession business, the customers view the bowling groups as a complementary customer offering rather than a standalone attractive proposition for the customers. In simple words, a customer might not drive to a Major Cineplex just for the sake of a bowling activity but might rather opt for bowling only when he/she has watched a movie, this is evident that whenever cinema ticket sales are down, the revenues for the bowling group is also down in the same manner.

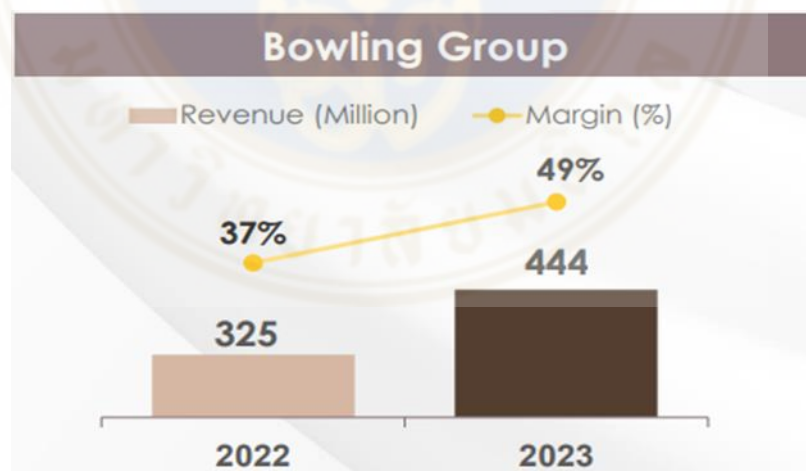


Figure 2.7 Growth of Bowling Service Gross Margin

Source: MAJOR's Annual Report, 2024

- **Rentals:** 15 branches with total space rental of 25,440 square meters, with rented space of 75% consisting of 24,549 square meters in Thailand with 77% rented space, and 891 square meters in Cambodia with 21% rented space. The rental business

has been a very small portion of their business over the years only contributing less than 5% to the revenue contribution pool. The characteristic of this business is mainly for the standalone cineplexes that Major owns; there are spaces within the building or the department store that can be leased out or rented out to other businesses, generating another source of revenue for Major Cineplex. Renting these spaces out to other businesses, it provides a complete customer experience. For example, customers can simply grab a McDonald's burger on the way to watch a movie in Major Cineplex Sukhumvit.

- **Movie Contents:** This is a line of business that Major has entered primarily to boost the production of local movie content and the production and distribution of the movies. Once the movie content is produced they can simply sell the rights of the movie through television media in the form of free TV pay-TV systems, which provides them control over the upstream and downstream parts of the business. This is a line of business that promotes revenue generation to the main lines of business for the company.

2.2 Business Strategies

2.2.1 International Standards for Theater Experience

From the moment of inception of Major Cineplex theatres, they have always made it a point to provide the customers with an international viewing experience. The tools and equipment utilized by Major Cineplex are a testament to the commitment to providing world-class standards in their movie theatres, such as the Mega screen, which provides the audience with a clear view from all seats. They have been constantly innovating with screening technologies and have provided different types of screens to attract different customer segments such as the IMAX screen with three-dimensional screening by nine project projectors comes with a Dolby Atmos sound system, which provides a real-world field of 3-D surrounded, experience, they have been constantly in waiting and investing in their digital and audio systems to provide an enhanced customer experience.

There are four main types of theatres that Major Cineplex currently has deployed: IMAX theatre, 4D, X theatre, screen X theatre, etc. The latest addition to the Types of theatres deployed is the kid's cinema, targeting. The kids and the user

experience have been enhanced in such a way that families can come in and provide the kids with not only a movie-viewing experience but also a good fun time. With the constant trend evolving around more and more parents adopting pets, they have also gone on to invest in pet-friendly cinemas. Major Cineplex also ensures that the decorations and the theatre structures are stated to the customer segment that they are serving. This is an intentional strategy deployed by them as a result of a continuous study on the behaviour of clients that was conducted by Major Cineplex making use of the theatre services, they found that the clients emphasized beauty and convenience of the venues as the priority in selecting the theatres for the movie experience. The benchmark of international level standards that have been set by Major Cineplex is to make its movie theatres comparable with a five-star hotel standard and to constantly update and modernize these theatres to maintain world-class standards.

2.2.2 Location Strategy

In terms of the selection of locations of theatres, Major Cineplex, particularly select areas that would be in the community area in the heart of the cities, mainly near schools, department stores, and commercial centres. This is evident in the classification done by them to cater to different customer segments which are standalone complexes, branches in department stores, branches in hypermarkets, and branches in open trade centres. They are strategically located in some of the best shopping centres across Thailand, resulting in high footfall. The brand image is so strong that whenever a customer walks into a shopping centre or a commercial centre, he/she would expect a Major Cineplex to be on the top floor of the shopping centre. They have constantly been expanding their geographical reach across the nation, and we have also started to expand internationally, even though the international business forms a small portion of the business, they have started to expand in places like Cambodia and Laos. Major Cineplex earlier on was focused on expanding mainly in Bangkok Metropolitan areas, but over the years has expanded into the up-country provinces with the rise in the purchasing power of these geographies.

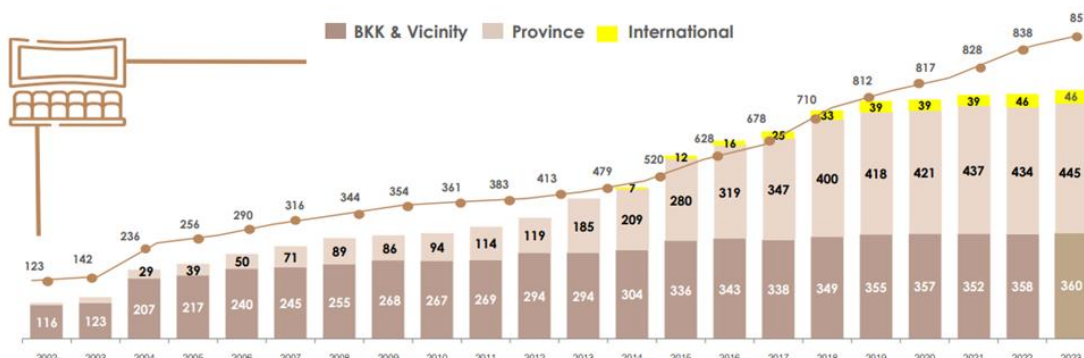


Figure 2.8 Number of cinemas by region

Source: MAJOR's Annual Report, 2024

2.2.3 Marketing Strategy

Major Cineplex has a keen understanding of the customer segments they serve. They regularly conduct special promotional activities tailored to various seasons, such as during semester breaks. A prime example of their strategic acumen is their Wednesday pricing strategy, where all movies are priced at 120 baht. This has proven to be an attractive value proposition, particularly for students who are willing to watch movies on a day typically considered a low-sales day.

Another great marketing strategy deployed by Major Cineplex is the creation of souvenirs and merchandise for the popular blockbuster movies that were up and coming. Many times, customers would purchase merchandise based on their favourite movies or characters. For example, popcorn with the poster of the Avengers was a very sought-after value proposition for the customers. The unique creation of souvenirs during festivals or special occasions has helped them stay ahead of the curve. Unique creation of souvenirs during festivals or special occasions has helped them stay ahead of the curve.



Figure 2.9 Bundle Products and Promotion Strategy

Source: MAJOR's Annual Report, 2024

2.2.4 Business Partner Creation Strategy

The major source of revenue contribution for Major Cineplex comes in the form of movie ticket sales and to understand what drives these movie ticket sales.

Major Cineplex constantly assesses the popularity of movies with various business partners such as film distributing agents. They facilitate a venue for promotions of each film by organizing premieres and help them arrange programs to attract customers. Movies with high popularity would be adjusted to have more screening rounds to generate more revenue for the theatres and the same goes for the other way around movies with less popularity and less traction. The initial days of screening would be taken off from the theatres soon, then anticipated, to maintain a high footfall into the business.

2.2.5 Technology integration for enhanced user experience

Major Cineplex has seamlessly integrated technology to enhance the customer experience for its cinema patrons. Their advanced mobile application exemplifies their commitment to staying ahead of the curve in customer service. The app streamlines the process of booking tickets and making payments, making it effortless for customers.

Users can also view the schedule of various movies and adjust their plans according to screening times, eliminating the need to rush to the cinemas.

A significant portion of tickets sold by Major Cineplex are purchased through their app or at the counters, which helps them maintain their profit margins. In contrast, markets like India have seen the emergence of intermediary companies such as BookMyShow, which act as middlemen for ticket bookings. The introduction of intermediaries can reduce margins and diminish control over the customer experience. By successfully implementing its mobile application, Major Cineplex has effectively avoided these issues, retaining both its margins and control over the customer experience.

2.3 Management and Governance

2.3.1 Organization & Business Structure

Major Cineplex Group Plc.'s organizational structure is well-organized and distinguishes its many business segments, allowing each company to function within its designated area. This organizational structure is divided into many sections for things like movie operations, rental and services, karaoke and bowling, media and advertising services, and movie content. For example, the management of movie theatre operations is divided among multiple subsidiaries, such as Bangkok Imax Theater Co., Ltd., Siam Cineplex Co., Ltd., and EGV Entertainment Plc., with a common goal of providing top-notch cinematic experiences. Furthermore, businesses such as Major Platinum Cineplex in Cambodia and Laos manage worldwide operations. Major Cineplex can specialize and flourish in each sector thanks to its division, utilizing targeted resources and knowledge to uphold industry leadership and high standards.

The distinct organizational structure provides Major Cineplex Group Plc with several benefits. First of all, it makes effective management and operational control possible, guaranteeing that every business unit works both independently and cooperatively to achieve the group's overall goals. Major Cineplex can quickly adjust to changes in the market and customer preferences within each business category thanks to this specialization. For instance, having specialized companies like Major Cinead Co., Ltd. for media and advertising services guarantees targeted marketing tactics that improve brand awareness

and consumer interaction. Furthermore, the rental and services division, run by affiliates such as Major Cineplex Property Co., Ltd., enables efficient property administration and service provision. Major Cineplex can preserve its competitive advantage and improve strategic decision-making by using this organized method, which also increases operational efficiency and maintains growth in all lines of business.

Group Structure

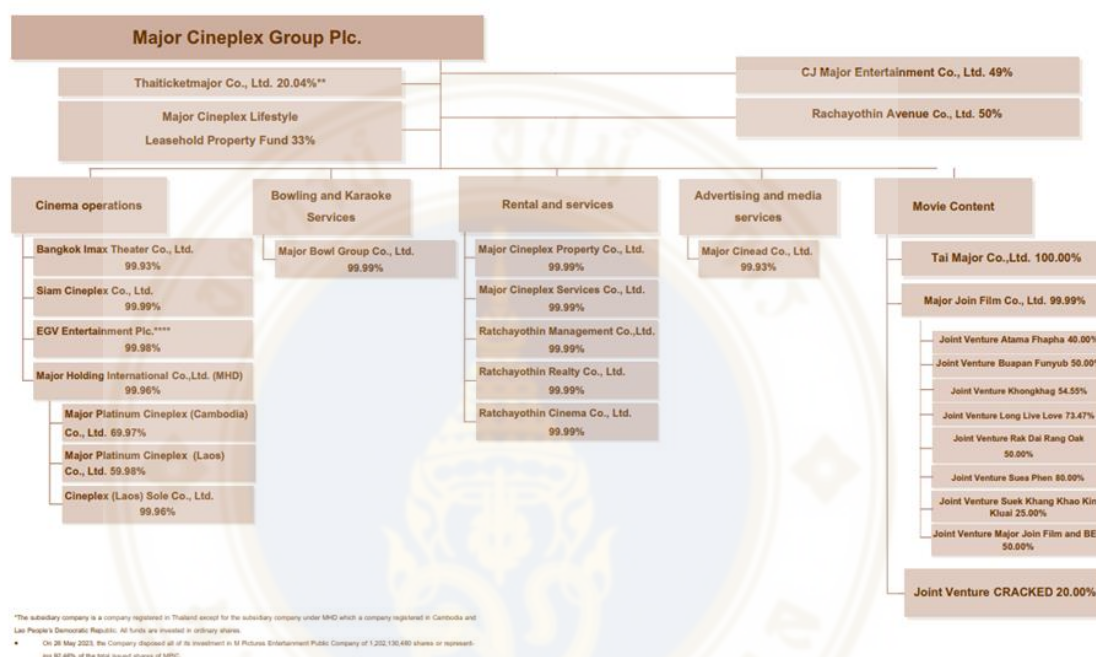


Figure 2.10 Business Portfolio Structure of MAJOR

Source: MAJOR's Annual Report ,2024

2.3.2 Lists of Shareholders and Management Team

Table 2.2 Lists of Shareholders

Name	Shares	Ownership	Current Value (Baht)
Vicha Poolvaraluck	331,713,588	40.00%	4.4b
GIC Private Limited	44,727,900	5.39%	590.4m
Franklin Resources, Inc.	33,070,678	3.99%	436.5m
The Vanguard Group, Inc.	23,332,524	2.81%	308.0m

Table 2.2 Lists of Shareholders (cont.)

Name	Shares	Ownership	Current Value (Baht)
Paradee Poolvaraluk	18,345,536	2.21%	242.2m
Norges Bank Investment Management	13,746,447	1.66%	181.5m
BLI - Banque De Luxembourg Investments S.A.	13,200,000	1.59%	174.2m
BlackRock, Inc.	12,961,700	1.56%	171.1m
Social Security Office of Thailand	12,801,700	1.54%	169.0m
Thai Life Insurance Public Company Limited, Asset Management Arm	11,884,600	1.43%	156.9m
Muang Thai Life Assurance Co., Ltd, Asset Management Arm	5,755,469	0.69%	76.0m
Kasikorn Asset Management Co., Ltd.	5,683,000	0.69%	75.0m
Dimensional Fund Advisors LP	4,595,153	0.55%	60.7m
SCB Asset Management Co., Ltd.	2,730,400	0.33%	36.0m
HSBC Global Asset Management (Hong Kong) Limited	1,486,500	0.18%	19.6m
Pawatt Ongvasith	1,020,000	0.12%	13.5m
BNY Asset Management	836,208	0.10%	11.0m
Chai J Roongta Api Barn	672,500	0.08%	8.9m
Teachers Insurance and Annuity Association- College Retirement Equities Fund	486,900	0.06%	6.4m
American Century Investment Management Inc	470,239	0.06%	6.2m
BBL Asset Management Co., Ltd.	435,400	0.05%	5.7m
Thanakorn Puriwekin	420,000	0.05%	5.5m
State Street Global Advisors, Inc.	231,045	0.03%	3.1m
Jinda Wantanahatai	88,665	0.01%	1.2m
Thitapat Issarapornpat	40,040	0.00%	528.6k
Free Float	9,864,000	45.74%	

Source: SET Smart (2024)

The Poolvaraluck family, represented by Vicha Poolvaraluck and Paradee Poolvaraluk, collectively owns 42.21% of MAJOR Cineplex. This significant shareholding indicates a strong family influence in the company's operations and strategic decisions. Institutions collectively own a substantial portion of the company, showing diversified ownership but with a notable emphasis on family control. The percentage of shares that

are readily available for trading by the public on the stock market as of 10/06/24 is 45.74%, approximately 9.864 million shares. (source: SET Smart)

Table 2.3 Lists of Management team

Name	Position	Tenure	Compensation (THB)	Ownership (% , THB)
Vicha Poolvaraluck	CEO, President	22.3years	2.41m	40.01% 4.4b
Thanakorn Puriwekin	Executive Director	1.2yrs	920.00k	0.051% 5.5m
Paradee Poolvaraluk	Executive Director	no data	920.00k	2.21% 242.2m
Pawatt Ongvasith	Executive Director	no data	1.22m	0.12% 13.5m
Thitapat Issarapornpat	CFO, Chief Accounting Officer & Company Secretary	13.4yrs	no data	0.0048% 528.6k
Surachedh Assawaruenganun	Chief Media Officer	6.4yrs	no data	no data
Naruto Jiannong	Chief Marketing Officer	5.8yrs	no data	0% 0
Apirak Vorachanonth	Chief People Officer	7.4yrs	no data	0.00024% 26.3k
Jinda Wantanahatai	Chief Retail Officer	16.4yrs	no data	0.011% 1.2m
Kitikorn Poomsawang	Chief Construction Officer	11.4yrs	no data	0.0036% 396.2k

Source: Yahoo Finance (2024)

The management team of Major Cineplex brings together a wealth of experience (11.4 years average tenure). across various domains such as strategic planning, financial management, marketing, human resources, media, and construction. The inclusion of experienced senior executives provide seasoned insight and resilience essential for the company's growth and sustainability. The presence of family members in executive roles highlights a strong family influence in the company's leadership and decision-making processes.

2.3.3 Corporate Governance & Corporate Social Responsibility Policies

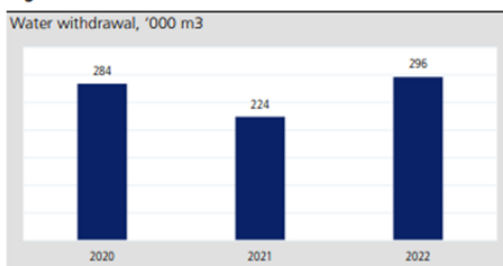
Major Cineplex Group Plc. is committed to maintaining high standards of corporate governance and fostering strong relationships with business partners, aiming to create value for all stakeholders. The organization emphasizes supply chain management with a focus on environmental, social, and governance (ESG) issues to ensure long-term value creation and competitive advantage (source: Major Corporate Governance Report, 2024).

To support this commitment, Major Cineplex Group has established a Supplier Code of Conduct that outlines standards for sustainable business development and provides operational guidelines for trading partners. The company is dedicated to ethical, fair, and transparent business operations, prioritizing compliance with laws and anti-corruption policies, protection of intellectual property, and transparent information disclosure.

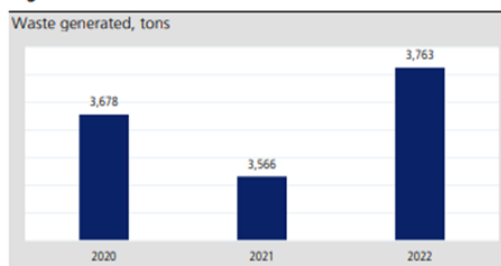
In promoting sustainable development, Major Cineplex actively seeks stakeholder feedback, upholds human rights and labour standards—including anti-child labour policies and non-discrimination—and ensures legal wages and labour rights. Quality management practices are in place to guarantee the accurate and timely delivery of goods and services, while strict occupational health and safety standards ensure a safe working environment. Additionally, their environmental management efforts focus on legal compliance, reducing environmental impact, and promoting resource efficiency.

Major Cineplex also provides channels for whistleblowing and feedback to report any violations or misconduct, reinforcing its commitment to ethical practices. The company engages in various corporate social responsibility (CSR) activities, such as organizing charity events, offering free movie screenings for underprivileged communities, and supporting local arts and culture. (source: Major Sustainability Report, 2023)

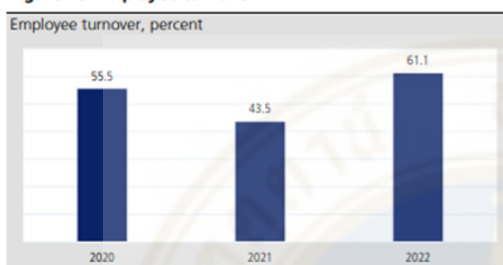
Investing in comprehensive training programs for employees, Major Cineplex focuses on customer service excellence and operational efficiency to maintain high service standards across all locations. In response to the COVID-19 pandemic, the company implemented rigorous health and safety protocols, including regular sanitization of facilities, social distancing measures, and contactless services, ensuring a safe environment for both customers and staff.

Figure 14: Total water withdrawal

Source: Company data, SETSMART, KGI Securities Research

Figure 15: Total waste

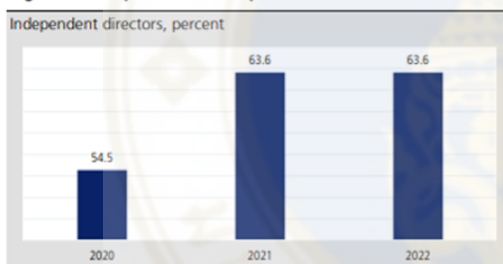
Source: Company data, SETSMART, KGI Securities Research

Figure 16: Employee turnover

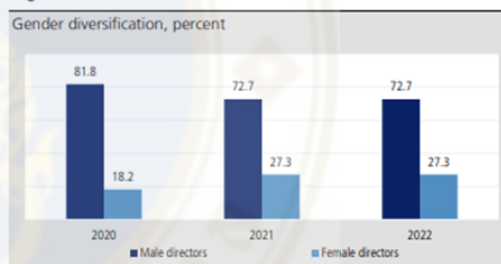
Source: Company data, SETSMART, KGI Securities Research

Figure 17: Average employee training hours

Source: Company data, SETSMART, KGI Securities Research

Figure 18: Proportion of independent directors

Source: Company data, SETSMART, KGI Securities Research

Figure 19: Gender diversification of directors

Source: Company data, SETSMART, KGI Securities Research

Figure 2.11 MAJOR's ESG data from 2020-22

Source: MAJOR's Annual Report (2024)

CHAPTER III

MACRO, INDUSTRY AND COMPETITION ANALYSIS

3.1 Macro-Economic Analysis

This section will examine the broader economic environment in which Major Cineplex Group Plc. operates. This includes key economic indicators such as GDP growth, inflation, unemployment, and consumer spending trends. We will also consider the impact of global economic conditions, currency exchange rates, and fiscal and monetary policies on the cinema and entertainment industry.

3.1.1 Economic Outlook on Thai GDP

Thailand's GDP is expected to grow moderately over the next few years. The average annual growth rate is projected to be around 3-4%. Various factors, including tourism recovery, increased foreign investment, and government infrastructure projects will drive this growth. In terms of Interest Rates, the central bank is likely to maintain a cautious approach to interest rates. The rates are expected to fluctuate between 1.5% and 2.5%, balancing the need to support economic growth while maintaining inflation so as not to overheat the economy.

Table 3.1 Thailand Historical and Forecast GDP Growth Rate

Percentage Per Year	2023*	2024	2025
GDP Growth	1.9	2.6	3.0

source: Bank of Thailand (2024)

Historically, global GDP growth has seen robust expansion from 2000-2007, a slowdown during the 2008-2009 financial crisis, a steady recovery from 2010-2019, a severe contraction in 2020 due to the COVID-19 pandemic, and a rebound from 2021-2022. Future global growth is projected to stabilize at around 3-4% annually from 2023-2030. Similarly, Thailand's GDP grew steadily pre-2008, slowed during the financial

crisis, recovered steadily until 2019, faced a severe contraction in 2020, and began recovering in 2021. Thailand's future growth is also projected at around 3-4% annually. It can provide a positive impact on Major Cineplex in Thailand as the economic recovery will likely lead to increased disposable incomes and higher spending on entertainment, supporting a return to pre-pandemic attendance levels. The recovery of tourism will further boost cinema attendance, and investments in digital transformation will provide additional revenue streams. However, there might still be some challenges including competition from global streaming platforms like Netflix, Hulu and Disneyplus and potential economic volatility. Overall, Major Cineplex has a positive outlook, driven by broader economic recovery and strategic adaptations.

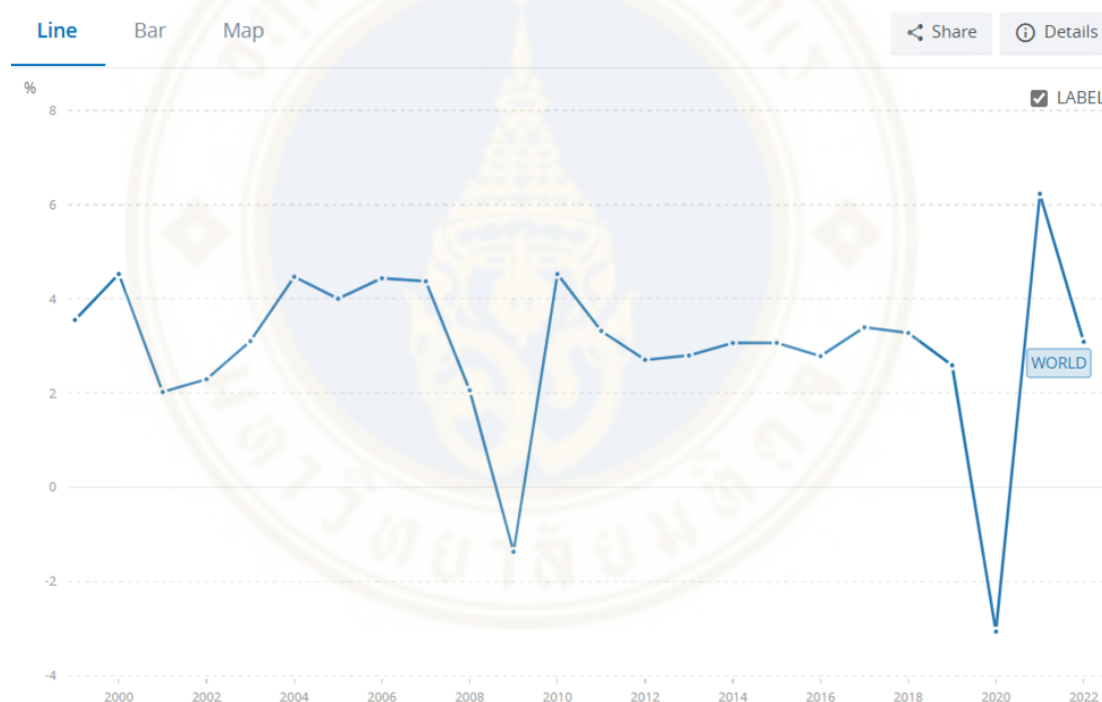


Figure 3.1 Global Historical GDP Growth Rate

Source: World Bank (2024)

3.1.2 Inflation rate, Interest rate and Unemployment Rate

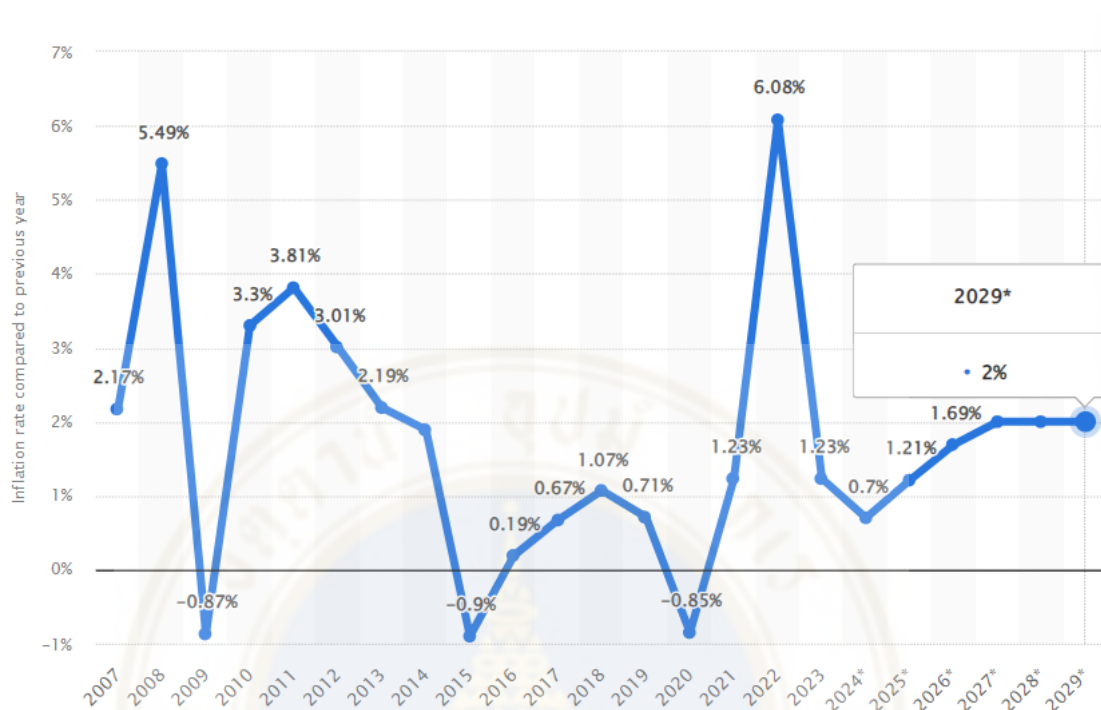
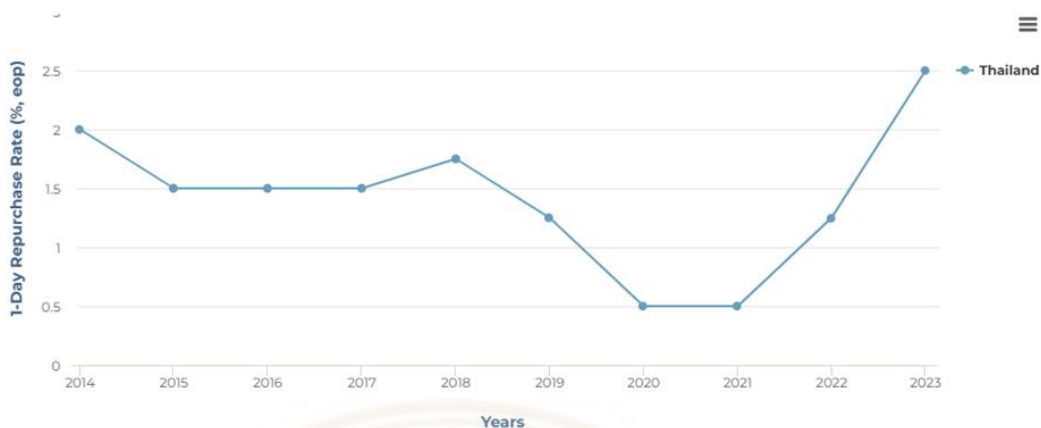


Figure 3.2 Thailand Historical and Forecasted Inflation Rate

Source: Trading Economics (2024)

In 2024, Thailand's inflation is expected to stay low at around 0.6% due to weak demand and ongoing economic recovery efforts (FocusEconomics). By 2025, as the economy improves and demand increases, inflation might rise slightly to about 1.3% (FocusEconomics). Between 2026 and 2027, inflation is expected to stabilize within the Bank of Thailand's target range of 1.0-3.0%. Mid-term forecasts suggest inflation will hover around 2.0-2.5%, indicating steady economic growth.



Note: This chart displays Policy Interest Rate (%) for Thailand from 2014 to 2023.
Source: Bank of Thailand.

Figure 3.3 Thailand Historical Interest Rate

Source: Bank of Thailand (2024)



Figure 3.4 Thailand Forecasted Interest Rate

Source: Bank of Thailand (2024)

Interest rates are expected to decrease from 2.50% to 2.00% in 2024, as the Bank of Thailand (BOT) aims to boost the economy during a slower recovery period (Investing.com). Lower rates can encourage borrowing and investment, helping the economy grow. After 2025, the BOT is expected to gradually raise interest rates, reaching up to 2.50% by 2029, to control inflation as the economy stabilizes (nation Thailand). Although inflation is low now, it's expected to rise slowly, so the BOT may

need to increase rates back in 2027 onwards to prevent the economy from overheating and keep inflation within the target range (FocusEconomics).

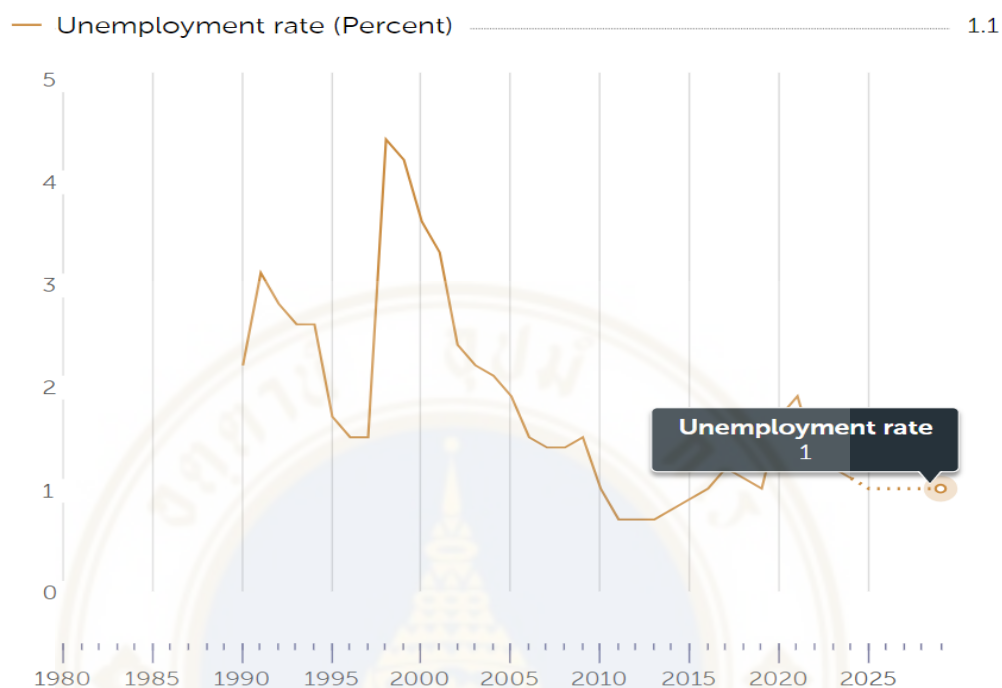


Figure 3.5 Thailand Historical and Forecasted Unemployment Rate

Source: Bank of Thailand (2024)

Based on the macroeconomic outlook provided for Thailand, several factors can impact the demand drivers in the cinema industry and the performance of Major cineplex companies. Factors such as ticket sales, concession revenue, and overall profitability will be influenced by changes in consumer behaviour, economic conditions, and the competitive landscape. Companies may need to adapt their strategies, pricing models, and content offerings to align with the evolving macroeconomic environment and consumer preferences to maintain or enhance their market position. Additionally, operational efficiency and cost management will be crucial in navigating potential challenges posed by fluctuating economic conditions.

3.2 Industry Analysis

In this section, we will analyze the cinema and entertainment industry to understand its structure, dynamics, and trends. This includes examining the market size and growth, industry life cycle, key drivers of demand, technological advancements, regulatory environment, and the role of digital transformation. We will also look at the impact of external factors such as the future pandemic situation (like COVID-19) and the shift towards streaming services on traditional cinema operations.

3.2.1 Global Cinema Business

The global cinema industry experienced a significant decline during the COVID-19 pandemic and is on a path to recovery. The industry saw a dramatic 70.4% drop in revenues in 2020, but with cinemas reopening and high demand for filmed entertainment, a rebound is underway. PwC forecasts that the global entertainment and media market, which includes cinema, will grow significantly, potentially becoming a \$2.9 trillion market by 2027 (PwC). Revenue in the Global Cinema market is forecasted to reach US\$79.22 billion in 2024, with an expected annual growth rate of 5.68% from 2024 to 2029, resulting in a projected market volume of US\$104.40 billion by 2029. (PwC) By 2029, the number of viewers in the Cinema market is projected to reach 1.9 billion users, with a user penetration rate of 21.6% in 2024, expected to increase to 24.1% by 2029. The average revenue per viewer (ARPU) is estimated to be US\$47.34. The United States is anticipated to generate the most revenue in the Cinema market, reaching US\$20,980.00 million in 2024. China is anticipated to generate the second most revenue in the Cinema Tickets market, reaching US\$6,963.00 million in 2024. Norway is expected to have the highest user penetration rate in the Cinema Tickets market, with a projected rate of 22.8% (Statista. Cinema market worldwide - Statistics & facts)

3.2.2 Thailand Cinema Business

In Thailand, the cinema industry is also recovering from the pandemic's impact. The Thai market experienced a gradual increase in box office revenues as restrictions decreased and audiences returned to theatres. The growth is bolstered by a combination of local film production and the release of international blockbusters, appealing to a diverse audience (World Economic Forum). The revenue in the Cinema

Tickets market in Thailand is forecasted to reach US\$19.84 million by 2024, with an expected annual growth rate of 3.48% from 2024 to 2028, resulting in a market volume of US\$22.75 million by 2028. By 2028, the number of users in the Cinema Tickets market is projected to reach 2.0 million, with a user penetration rate of 2.6% in 2024, expected to increase to 2.8% by 2028. The average revenue per user (ARPU) is estimated to be US\$10.70.(Statista)

3.2.3 Movies Hit in 2023-2024 and Upcoming Releases

Recent hits at the box office for 2023-2024 include major international releases and successful local films. Upcoming releases for 2025-2026 are expected to feature a mix of anticipated Hollywood blockbusters and popular Thai films, continuing to attract large audiences back to cinemas.

Some major box office hits globally and in Thailand during 2023-2024 included:

- "Avatar: The Way of Water"
- "Top Gun: Maverick"
- "Black Panther: Wakanda Forever"
- Thai film "4 Kings"
- "Fast & Furious 10"

3.2.4 Movies to Be Released in 2025-2026

Anticipated movie releases that are expected to draw significant box office attention include:

- "Avatar 3"
- "Marvel's Avengers: Secret Wars"
- "Star Wars: Rogue Squadron"
- Thai film "Pee Mak 4"
- "Jurassic World: New Era"

3.2.5 Room to Grow

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

26,000 people per 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 the number of cinemas. And, this led to the period of movie showing being shorter around 2-3 weeks depending on the popularity of those movies to support 200- 300 Hollywood movies coming into Thailand per year. However, this number is still less than the number of Hollywood movie productions which can produce up to 500 movies per year.

Despite the recent challenges, there is significant room for growth in the cinema industry. The recovery phase offers opportunities for expansion and modernization of cinema facilities, enhancing the viewing experience to attract more patrons. This includes investments in technology such as 4DX, IMAX, and improved seating and sound systems (PwC).

3.2.6 Year of Digitization

The pandemic has accelerated the digitization of the cinema industry. Streaming services saw a significant boost, and many cinemas are now integrating digital technologies to enhance customer experience, such as online ticket booking, digital payments, and targeted digital marketing campaigns. These changes are expected to continue, blending the digital and physical cinema experiences (World Economic Forum).

3.2.7 Moving Toward Rural Areas and CLMV Countries

There is a strategic push to expand cinema infrastructure into rural areas and neighbouring CLMV (Cambodia, Laos, Myanmar, Vietnam) countries. For the upcountry market, there are a few cinemas which are in the form of Multiplex which mostly are quite old and there is a high potential to open cinemas in those areas. In addition, the purchasing power of people in rural areas is average but they are willing to spend it on movies in a new and modern style of cinemas. Hence, in a few years, it is expected that the demand for Multiplex movie cinemas will be higher than now. This expansion aims to tap into underserved markets, offering new entertainment options and driving regional growth. By increasing accessibility and catering to local tastes, cinema operators can capture a broader audience base (PwC).

In summary, the global and Thai cinema industries are poised for recovery and growth post-pandemic, driven by technological advancements, strategic expansions, and a continued high demand for cinematic experiences. The integration of digital solutions and expansion into new markets present significant opportunities for the industry's future (PwC) (PwC) (World Economic Forum).

3.3 Competition Analysis

This section focuses on evaluating the competitive landscape in which Major Cineplex operates. We will identify key competitors, and analyze their market share, strengths, weaknesses, and strategic positioning. Competitive strategies such as pricing, marketing, customer service, and innovation will be assessed. We will also use tools like SWOT analysis and Porter's Five Forces to provide a comprehensive understanding of the competitive pressures and opportunities within the industry

3.3.1 Competitive Landscape

The movie industry in Thailand faces high barriers to entry due to the significant investments required and the reliance on established business experience. Two major operators dominate the market: Major Group and SF Cinema. Major Cineplex holds a dominant position with a 70% market share, classifying them as a potential monopoly. However, Major Cineplex recognizes that its competition extends beyond physical theatres.

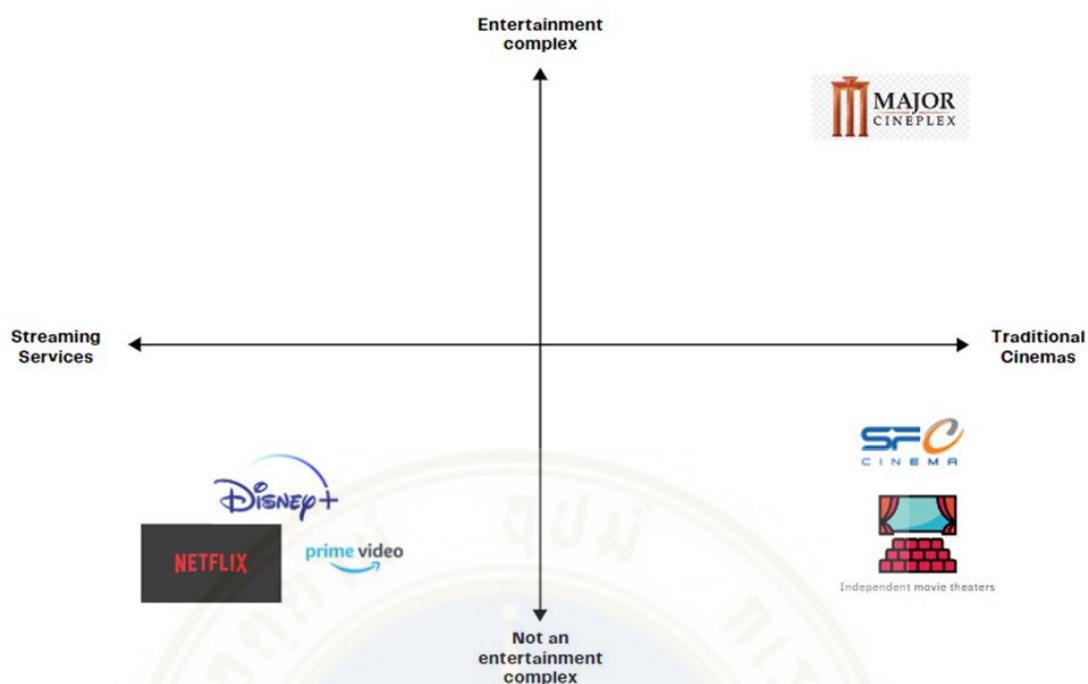


Figure 3.6 Competitive Landscape of Cinema and Entertainment Industry

Source: 6wResearch, 2024

- **Direct Competitors:** SF Cinema, the second-largest cinema exhibitor in Thailand, holds about 20% of the market share with approximately 255 cinemas nationwide. As Major Cineplex's direct competitor, SF Cinema operates similarly in terms of business operations, product offerings, and target customer groups.
- **Indirect Competitors:** Home Entertainment Media Companies sell VCDs and DVDs at prices cheaper than movie tickets, appealing to customers who prefer home viewing. This trend challenges cinemas to attract audiences who now have affordable alternatives to theatrical releases.
- **OTT Platforms:** The rise of digital entertainment and Over-the-Top (OTT) platforms like Netflix, Amazon Prime, Disney+, and Apple TV poses a significant threat to traditional cinemas. These platforms offer a vast array of content that customers can enjoy from the comfort of their homes, further challenging Major Cineplex to maintain an attractive value proposition.

In summary, the competitive landscape for Major Cineplex includes direct competition from SF Cinema and indirect competition from home entertainment media

companies and OTT platforms. Major Cineplex must innovate and enhance the cinematic experience to entice customers away from home viewing options to stay competitive.

Table 3.2 Market Share for the Cinema Market in Thailand

Theater Name	Operator	No. of branches	No. of screens	Market Share
Major Cineplex, EGV, Paragon Cineplex and Esplanade Cineplex	The Company and subsidiary companies	184	851	70%
SF World, SFX and SF Cinema	SF Corporation PC	65	395	30%

Source: Statista (2024)

3.3.2 SWOT Analysis



Figure 3.7 SWOT Analysis of MAJOR

Major Cineplex Thailand is a market leader with strong brand equity and diverse revenue streams. However, it faces challenges such as high operating costs and dependence on the success of movie releases. Growth opportunities include expansion in Southeast Asia, diversification of entertainment offerings, and leveraging digital transformation. Threats include competition from streaming services, economic fluctuations, and regulatory changes. By capitalizing on its strengths and opportunities while mitigating

its weaknesses and threats, Major Cineplex can continue to thrive in the competitive entertainment industry

- Strengths

1. Market Leadership: Major Cineplex is the largest cinema chain in Thailand, providing it with significant market share and brand recognition.

2. Diverse Revenue Streams: The company not only earns from movie ticket sales but also from concessions, advertising, and other entertainment services.

3. Modern Facilities: Investment in state-of-the-art technology and comfortable seating enhances customer experience and loyalty.

4. Strategic Locations: Cinemas are located in prime areas, attracting high foot traffic and making it convenient for customers.

5. Strong Brand Name: Well-established brand with a strong reputation for quality and customer service.

- Weaknesses

1. High Operating Costs: Maintaining modern facilities and technology requires significant investment, leading to high fixed costs.

2. Dependence on Movie Releases: Revenue is highly dependent on the film industry's release schedule and the success of blockbuster movies.

3. Limited International Presence: The majority of operations are confined to Thailand, limiting geographical diversification and exposing the company to local market risks.

4. Impact of Economic Downturns: Economic downturns can reduce discretionary spending on entertainment, directly affecting revenues.

- Opportunities

1. Expansion in Southeast Asia: There is potential for growth in neighbouring countries with emerging entertainment markets.

2. Diversification of Offerings: Expanding into new areas such as virtual reality experiences, gaming arenas, or themed entertainment centres.

3. Digital Transformation: Leveraging technology for better customer engagement through mobile apps, online booking, and loyalty programs.

4. Strategic Partnerships: Collaborations with streaming services, film festivals, and exclusive content providers can attract more customers.

5. **Post-Pandemic Recovery:** As the global economy recovers from the COVID-19 pandemic, there is potential for increased cinema attendance and revenue growth

- Threats

1. **Competition from Streaming Services:** The rise of streaming platforms like Netflix, Disney+, and Amazon Prime poses a significant threat as more consumers opt to watch movies at home.

2. **Economic Fluctuations:** Economic instability can reduce consumer spending on leisure activities, impacting revenue.

3. **Pandemic Risks:** Future pandemics or health crises can lead to cinema closures and reduced audience turnout.

4. **Lack of quality content:** Dependence on the success of movies means that a season of poorly performing films can significantly impact financial performance.

3.3.3 Porter's Five Forces Model

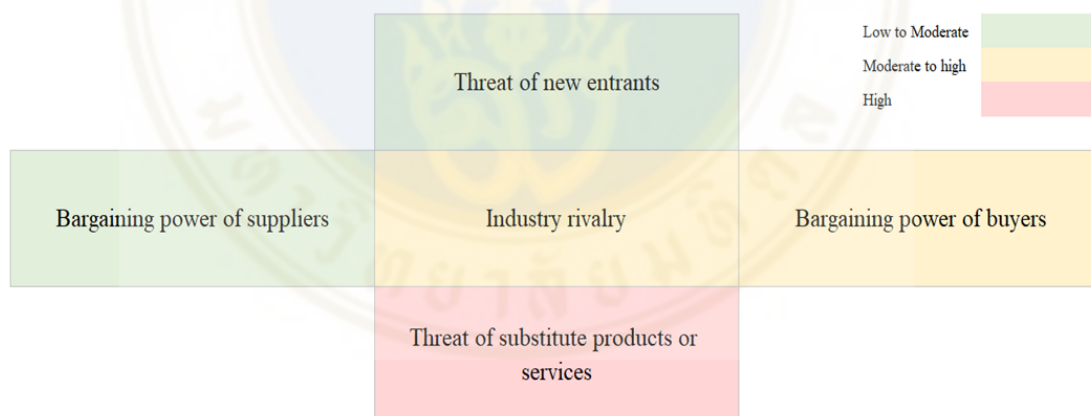


Figure 3.8 Porter's Five Forces Analysis of MAJOR

3.3.3.1 Threat of New Entrants

Moderate

- **Barriers to Entry:** The high initial capital investment required for setting up modern cinemas and purchasing advanced technology acts as a significant barrier.

- **Brand Loyalty:** Major Cineplex has strong brand recognition and customer loyalty, making it challenging for new entrants to attract customers.

- **Economies of Scale:** As the largest cinema chain, Major Cineplex benefits from economies of scale, allowing them to offer competitive pricing and better deals.

3.3.3.2 Bargaining Power of Suppliers

Low to Moderate

- **Limited Number of Suppliers:** The film distribution market has a few major players, but the power is somewhat balanced by the need for distributors to have their films shown in popular cinemas like Major Cineplex.

- **Technological Dependence:** Suppliers of cinema technology (e.g., projectors, sound systems) have some bargaining power, but Major Cineplex's scale allows it to negotiate favourable terms.

- **Concessions Suppliers:** Suppliers of food and beverages have limited bargaining power due to the large number of alternative suppliers available.

3.3.3.3 Bargaining Power of Buyers

Moderate to High

- **Price Sensitivity:** Customers can be price-sensitive and may opt for alternative entertainment options if ticket prices are too high.

- **Alternative Entertainment Options:** With the rise of streaming services and other leisure activities, customers have various alternatives to cinema-going.

- **Group Buying Power:** Corporate clients or bulk buyers (e.g., for events or promotions) have higher bargaining power due to the volume of their purchases.

3.3.3.4 Threat of Substitute Products or Services

High

- **Streaming Services:** The proliferation of streaming platforms like Netflix, Disney+, and Amazon Prime provides convenient and often cheaper alternatives to movie-going.

- **Home Entertainment Systems:** Advances in home entertainment technology (e.g., large-screen TVs, surround sound systems) make home viewing more attractive.

- **Other Leisure Activities:** Consumers have numerous entertainment choices, including sports, dining out, and gaming, which can substitute for cinema experiences.

3.3.3.5 Industry Rivalry

Mid to Low

- **Market Saturation:** In urban areas, the market can be deemed as saturated for Major with cinemas, intensifying competition for foot traffic.

- **Innovation and Differentiation:** Competitors continually innovate in terms of technology, seating comfort, and overall customer experience to attract patrons.

- **Number of Competitors:** While Major Cineplex is the market leader, it faces competition from SF Cinemas and independent theatres.

In summary, Major Cineplex faces a moderate threat from new entrants due to high initial capital investment, strong brand loyalty, and economies of scale. The bargaining power of suppliers is low to moderate, as the cinema chain can negotiate favourable terms due to its size, despite some technological dependence. The bargaining power of buyers is moderate to high, influenced by price sensitivity and the availability of alternative entertainment options like streaming services. The threat of substitutes is high, with streaming platforms, home entertainment systems, and other leisure activities providing convenient and often cheaper alternatives to cinema-going. Industry rivalry is mid to low, with significant competition in urban areas and ongoing innovations by competitors like SF Cinemas and independent theatres to attract customers.

CHAPTER IV VALUATION

4.1 Financial Analysis

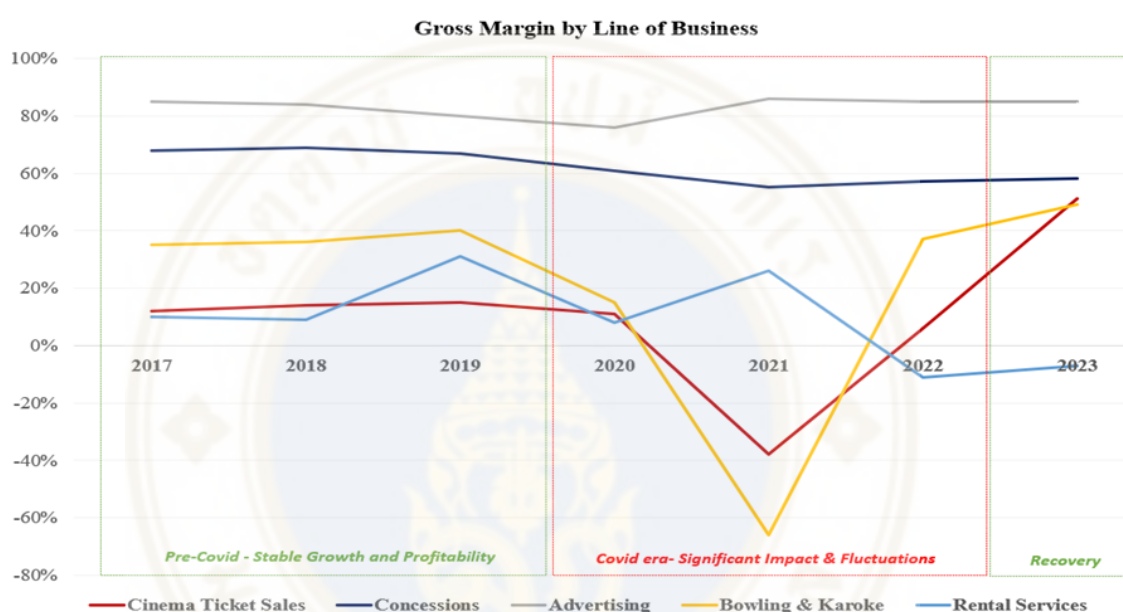


Figure 4.1 Gross Margin Trend by Line of Business

Source: MAJOR's Annual Report, 2017-23

Pre-Covid Era (2017-2019): During the pre-Covid era from 2017 to 2019, Major Cineplex enjoyed stable growth and profitability across various business lines. Cinema ticket sales maintained a consistent gross margin, indicating healthy demand for cinema experiences. The concessions segment also showed robust gross margins, reflecting steady sales of food and beverages. Advertising emerged as the highest and most stable gross margin contributor, highlighting the importance and effectiveness of in-cinema advertising. Additionally, the bowling and karaoke segment exhibited a notable upward trend in gross margins, underscoring increasing popularity and profitability. Rental services, despite some variability, generally contributed positively to the overall margin, indicating a healthy demand for rental spaces within cinema premises.

Covid-Era (2020-2022): The Covid-19 era from 2020 to 2022 brought significant impacts and fluctuations to Major Cineplex's business. Cinema ticket sales experienced a dramatic drop in gross margins due to cinema closures and reduced attendance, with margins turning significantly negative in 2020 and showing only slight improvements in 2021. Concessions followed a similar trend, with foot traffic diminishing and gross margins falling, though the decline was less severe compared to ticket sales. Surprisingly, the advertising business maintained relatively stable gross margins, indicating continued investment by advertisers despite the downturn. The bowling and karaoke segment took a severe hit in 2020 due to restrictions on social activities but saw a remarkable recovery in 2021 as restrictions eased and social gatherings resumed. Rental services also experienced a sharp decline in 2020, but 2021 marked a strong recovery as businesses and activities resumed, boosting demand for rental spaces.

Recovery from COVID-19 (2023): In 2023, Major Cineplex entered a rebounding stage, with significant improvements across all business segments. Cinema ticket sales saw a positive turnaround in gross margins, reflecting a strong rebound in attendance and a return to pre-pandemic levels of demand. Concessions also recovered in parallel with the return of cinema-goers, with margins stabilizing and slightly improving. The advertising segment continued to be a strong performer, maintaining stable gross margins and its crucial role as a revenue stream. Bowling and karaoke showed continued improvement, with gross margins surpassing pre-pandemic levels, suggesting increased popularity and profitability in the post-pandemic era. Rental services stabilized their gross margins, reflecting steady demand and utilization of rental spaces within Major Cineplex's properties.

4.1.1 Growth analysis

Fiscal year ends Dec 31	2023	2022	2021	2020	2019	2018	2017	2016
Revenue Growth YoY ^⓪	8.55B +33.86%	6.39B +112.28%	3.01B -20.07%	3.77B -64.80%	10.70B +7.48%	9.95B +10.93%	8.97B +2.59%	8.75B +1.92%
Cost of Goods Sold Growth YoY ^⓪	5.68B +23.25%	4.61B +61.34%	2.86B -9.65%	3.16B -53.81%	6.85B +5.38%	6.50B +9.09%	5.96B +6.76%	5.58B +0.50%
Gross Profit Growth YoY	2.87B +61.39%	1.78B +1,076.32%	151.04M -74.88%	601.31M -84.37%	3.85B +11.45%	3.45B +14.57%	3.01B -4.78%	3.16B +4.53%
Operating Expenses Growth YoY	1.63B +34.45%	1.21B +175.33%	-1.61B -189.43%	1.80B -28.16%	2.50B +41.31%	1.77B +26.86%	1.40B -11.42%	1.58B +13.37%
Operating Income Growth YoY	1.24B +119.21%	564.76M -67.91%	1.76B +246.93%	-1.20B -189.15%	1.34B -20.05%	1.68B +3.95%	1.62B +1.81%	1.59B -2.98%
Other Income (Expense) Growth YoY	- -	- -	- -	- -	- -	- -	- -	- -
Pre Tax Income Growth YoY	1.14B +255.44%	320.41M -83.08%	1.89B +399.27%	-632.71M -135.37%	1.79B +13.77%	1.57B +6.47%	1.48B +2.28%	1.44B -2.56%
Tax Provision Growth YoY	75.23M +46.11%	51.49M -85.47%	354.37M +483.10%	-92.50M -126.06%	354.98M +29.98%	273.11M -2.15%	279.10M +17.84%	236.84M -21.07%
Net Profit Growth YoY	1.04B +313.18%	252.15M -84.06%	1.58B +399.81%	-527.49M -137.49%	1.41B +9.61%	1.28B +7.56%	1.19B +0.43%	1.19B +1.48%
Diluted EPS Growth YoY ^⓪	1.18 +317.00%	0.28 -84.06%	1.77 +399.80%	-0.59 -137.49%	1.57 +9.61%	1.43 +7.56%	1.33 +0.38%	1.33 +1.36%
Diluted Average Shares	886.57M	894.67M	894.67M	894.67M	894.67M	894.67M	894.65M	894.13M
Normalized EBITDA ^⓪	2.00B	1.70B	262.44M	358.13M	2.77B	2.43B	2.15B	2.10B

Key Ratios [Income Statement](#) [Balance Sheet](#) [Cash Flow](#)

Annual Quarterly

Year	Revenue	Operating Expense	Operating Income
2016	8.75B	5.58B	3.16B
2017	8.97B	5.96B	3.01B
2018	9.95B	6.50B	3.45B
2019	10.70B	6.85B	3.85B
2020	3.77B	3.16B	-1.20B
2021	3.01B	2.86B	1.51B
2022	6.39B	4.61B	1.78B
2023	8.55B	5.68B	2.87B

Figure 4.2 MAJOR's Income Statement from 2016-2023

Source: Microsoft Finance (2024)

Major Cineplex demonstrated resilience and strong growth from 2016 to 2018, with revenue increasing steadily from \$8.75 billion to \$9.95 billion. During this period, gross profit rose from \$3.16 billion to \$3.45 billion, supported by controlled operating expenses that climbed modestly from \$1.58 billion to \$1.77 billion. This led to a consistent increase in operating income from \$1.59 billion to \$1.68 billion and net profit from \$1.19 billion to \$1.28 billion.

In the recovery years of 2022 and 2023 post-COVID-19, revenue surged from \$6.39 billion to \$8.55 billion, marking growth rates of 112.28% and 33.86%,

respectively. Despite increased costs of goods sold, gross profit improved from \$1.78 billion to \$2.87 billion. Operating expenses grew from \$1.21 billion to \$1.63 billion, reflecting strategic investments while maintaining cost control. This resulted in a substantial rise in operating income from \$564.76 million to \$1.24 billion and net profit from \$252.15 million to \$1.04 billion. Margins also improved notably, with gross margin increasing from 27.81% in 2022 to 33.53% in 2023, operating margin recovering from 8.84% to 14.48%, and net profit margin rising from 4.21% to 12.44%.

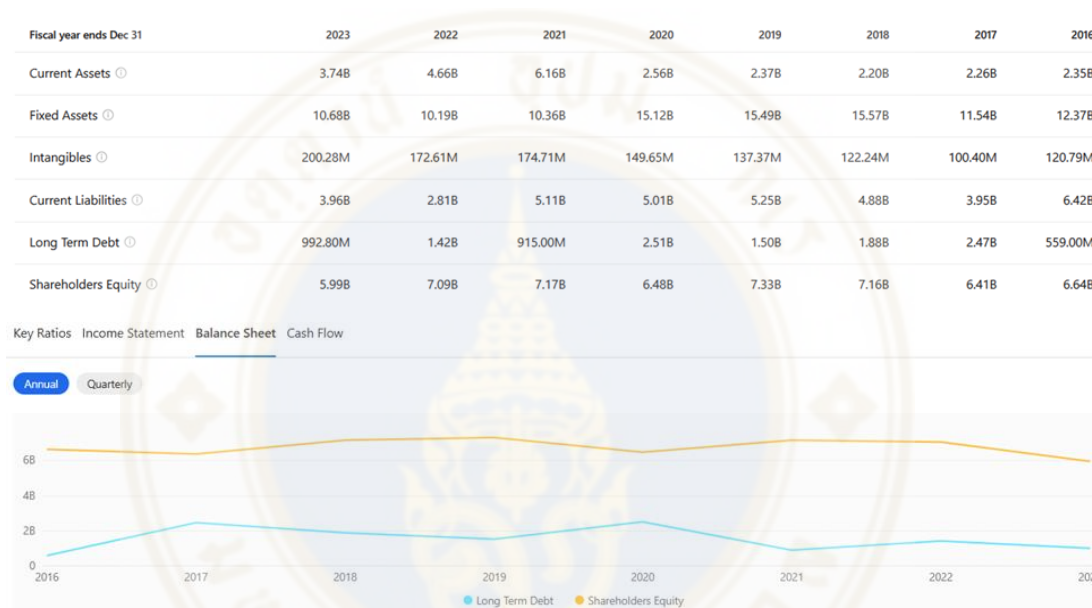


Figure 4.3 MAJOR's Balance Sheet from 2016-2023

Source: Microsoft Finance, 2024

From 2016 to 2023, Major Cineplex's balance sheet reflects strategic adjustments and resilience through challenging periods, particularly during and after the COVID-19 pandemic. Current assets showed slight fluctuations from 2016 to 2018, averaging around \$2.27B, then increased significantly to \$6.16B in 2021, likely due to strategic liquidity management during the pandemic. Post-pandemic, current assets realigned to more typical levels, declining to \$4.66B in 2022 and \$3.74B in 2023. Fixed assets remained relatively stable from 2016 to 2018, averaging around \$13.16B, peaking at \$15.57B in 2018, and then gradually declining to \$10.68B in 2023, suggesting asset sales or depreciation adjustments improve efficiency. Intangible assets increased steadily,

from \$120.79M in 2016 to \$200.28M in 2023, indicating ongoing investments in intellectual property, brand value, or goodwill.

Current liabilities fluctuated, with a notable high of \$6.42B in 2016, peaking again at \$5.25B in 2019, then decreasing to \$2.81B in 2022 before rising to \$3.96B in 2023, reflecting effective short-term obligation management. Long-term debt showed variability, peaking at \$2.47B in 2017 and hitting a high of \$2.51B in 2020, followed by a significant reduction to \$992.80M in 2023, indicating substantial debt repayment or restructuring efforts after the pandemic. Shareholders' equity remained stable from 2016 to 2018, averaging around \$6.73B, peaked at \$7.33B in 2019, experienced a slight decline during the pandemic, and recovered to \$7.09B in 2022 before decreasing to \$5.99B in 2023, reflecting the impact of pandemic-related losses and subsequent recovery efforts.

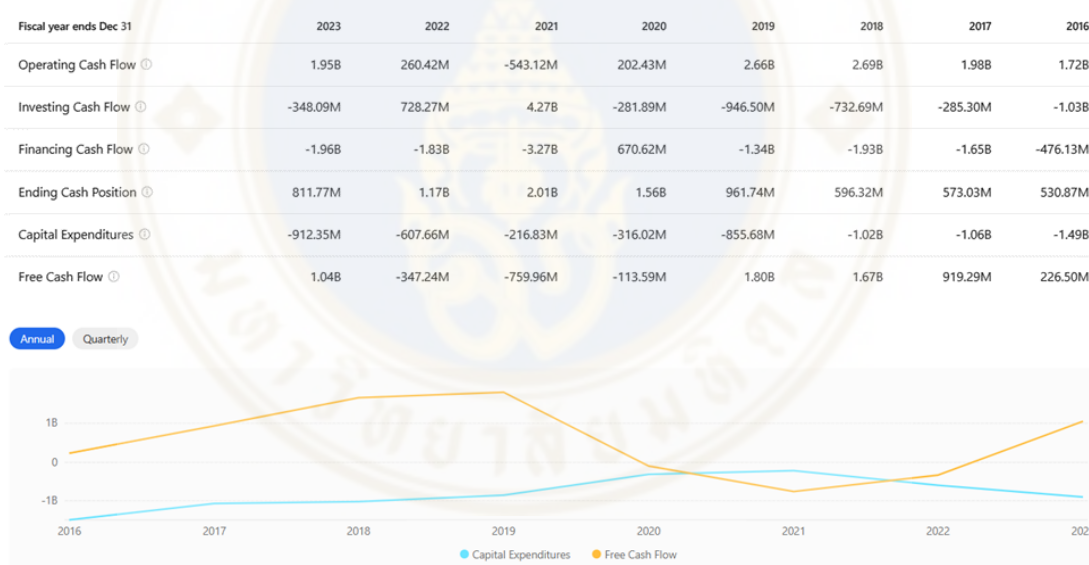


Figure 4.4 MAJOR's Cash Flow Statement from 2016-2023

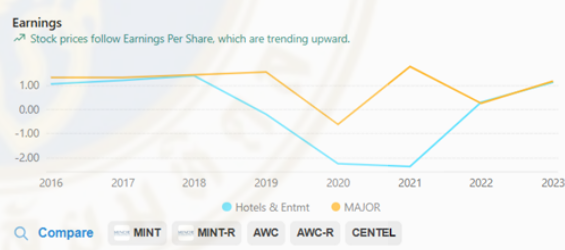
Source: Microsoft Finance (2024)

Operating cash flow demonstrated stability from 2016 to 2019, with figures ranging from \$1.72B to \$2.69B, but faced a sharp decline during the pandemic, resulting in a negative \$543.12M in 2021. Recovery efforts led to a notable rebound, with operating cash flow rising to \$260.42M in 2022 and reaching \$1.95B in 2023.

Investing cash flow showed consistent outflows due to capital expenditures and investments, with significant investments from 2016 to 2019, peaking at $-\$1.03\text{B}$ in 2016. A dramatic inflow of $\$4.27\text{B}$ in 2021, likely from asset sales or divestitures during the pandemic, was followed by a return to typical investment outflows after COVID recovery, ending at $-\$348.09\text{M}$ in 2023. Financing cash flow experienced significant outflows, particularly notable in 2021 with $-\$3.27\text{B}$, reflecting debt repayments and financing adjustments. Due to strategic borrowing during the pandemic, the financing cash flow turned positive in 2020 at $\$670.62\text{M}$ but returned to substantial outflows of $-\$1.96\text{B}$ in 2023. The ending cash position fluctuated accordingly, peaking at $\$2.01\text{B}$ in 2021 before stabilizing at $\$811.77\text{M}$ in 2023. Capital expenditures remained a significant cash outflow, consistently high from 2016 to 2019, peaking at $-\$1.49\text{B}$ in 2016, then reducing to $-\$216.83\text{M}$ in 2021, reflecting adjustments in investment strategies. Free cash flow mirrored these trends, with significant positive values in pre-pandemic years, peaking at $\$1.80\text{B}$ in 2019, turning negative during the pandemic, and recovering to $\$1.04\text{B}$ in 2023.

Per Share Values

Fiscal year ends Dec 31	MAJOR 2023	MAJOR 3-Yr Avg	Hotels & Entmt 1-Yr Avg
Revenues	9.65	6.72	14.25
Earnings	1.18	1.07	1.14
Free Cash Flow	1.17	-0.02	2.97
Dividend	0.76	0.79	0.54
Book Value	6.76	7.57	18.05



Growth Rates

Fiscal year ends Dec 31	MAJOR 2023	MAJOR 3-Yr Avg	Hotels & Entmt 1-Yr Avg
Revenue YoY	33.86%	42.02%	29.36%
EPS YoY	317.00%	210.91%	94.85%
FCF YoY	402.26%	-37.49%	39.51%
Dividends YoY	26.14%	57.29%	72.12%
BV YoY	-14.75%	-1.75%	2.38%



Figure 4.5 Comparison MAJOR's Financial Ratios with 3-Yr Historical Average

Source: Microsoft Finance (2024)

Profitability

Fiscal year ends Dec 31	MAJOR 2023	MAJOR 3-Yr Avg	Hotels & Entmt 1-Yr Avg
Gross Margin	33.53%	22.12%	47.04%
Operating Margin	14.48%	27.27%	6.93%
Net Margin	12.18%	22.89%	0.98%
Return on Equity	18.06%	16.14%	-0.99%
Return on Capital	12.28%	12.83%	-



Leverage & Liquidity

Fiscal year ends Dec 31	MAJOR 2023	MAJOR 3-Yr Avg	Hotels & Entmt 1-Yr Avg
Debt to EBITDA	257.55%	914.07%	324.06%
Long Term Debt to Equity	86.05%	78.57%	133.43%
Financial Leverage	2.41x	2.27x	2.92x
Quick Ratio	0.89x	1.21x	1.18x
Current Ratio	0.94x	1.27x	1.32x



Efficiency

Fiscal year ends Dec 31	MAJOR 2023	MAJOR 3-Yr Avg	Hotels & Entmt 1-Yr Avg
Asset Turnover	0.58x	0.39x	0.43x
Inventory Turnover	26.42x	19.46x	29.25x
Receivables Turnover	16.82x	13.48x	42.54x
Return on Assets	5.34%	0.69%	3.32%
Dividend Payout	63.08%	106.94%	40.15%



Figure 4.5 Comparison MAJOR's Financial Ratios with 3-Yr Historical Average (cont.)

Major Cineplex's gross margin in 2023 is significantly higher than both its 3-year average and the industry average. This indicates strong cost control and efficient revenue generation, positioning the company well above its peers in terms of operational efficiency.

Major Cineplex has shown impressive recovery and growth in key financial metrics post-pandemic. The significant improvement in gross and net margins suggests that the company has effectively navigated the challenges posed by the pandemic and is on a strong growth trajectory. The robust ROE further indicates that the company is generating substantial returns on shareholders' equity, highlighting its potential for sustained growth.

4.1.2 Peer group Comparative analysis

We chose to compare Major Cineplex Group (MJG1.F) with PVR INOX LIMITED (PVR INOX.BO) from India, Cineplex Inc. (CGX.TO) from Canada, and CJ CGV (079160. KS) from South Korea due to their similar positions in the entertainment industry within rapidly growing economies, despite differences in market capitalization and enterprise value. Each company operates in the cinema and entertainment sector, facing similar service industry risks and growth opportunities driven by evolving consumer behaviours and technological advancements. This comparison highlights their financial performance, including revenue growth rates and profitability metrics, providing insights into their competitive standing and operational efficiency in a dynamic market landscape.

PVR INOX LIMITED from India leads with the highest market capitalization at \$1.69 billion and the highest revenue growth rate at 9.90%. Major Cineplex Group has a market cap of \$297.59 million and a growth rate of 8.11%. Cineplex Inc. from Canada has a market cap of \$334.84 million and a growth rate of 1.17%. CJ CGV from Korea has a market cap of \$673.20 million but a negative growth rate of -0.17%.

PVR INOX LIMITED has high potential since India has one of the largest film industries in the world, producing over 1,800 films annually in various languages. The country has a massive and growing population that provides a large audience base for cinema. With increasing urbanization and a rising middle class, more people have disposable income to spend on entertainment, including cinema. Similar to India, cinema plays a crucial role in Thai culture, with a strong tradition of movie-going among its population. Thai audiences have a keen interest in local and international films, contributing to steady demand.

Compare up to three stocks to MJG1.F by adding the symbol or company name.

	MJG1.F Major Cineplex Gr... 0.308 +4.76%	PVRINOX.NS PVR INOX Limited 1436.85 +3.84%	CGX.TO Cineplex Inc. 7.2 +1.12%	079160.KS CJ CGV Co., Ltd. 5580 -0.18%
As of Jun 23, 2024	MJG1.F MAJOR CINEPLEX -FG...	PVRINOX.NS PVR INOX LIMITED	CGX.TO CINEPLEX INC.	079160.KS CJ CGV
Market Value	297.59M	1.69B	334.84M	673.20M
Enterprise Value	345.04M	2.63B	1.61B	2.01B
Price to Earnings	9.54	--	5.41	--
Diluted Earnings Per Share	0.03	-0.50	1.96	-0.97
Forward Dividend & Yield	0.03 (7.65%)	--	--	--
Sector	Communication Services	Communication Services	Communication Services	Communication Services
Industry	Entertainment	Entertainment	Entertainment	Entertainment

Figure 4.6 Comparison of MAJOR financial performance with Peer Groups

Source: Yahoo Finance (2024)

^ Income Statement

As of Jun 23, 2024	MJG1.F MAJOR CINEPLEX -FG...	PVRINOX.NS PVR INOX LIMITED	CGX.TO CINEPLEX INC.	079160.KS CJ CGV
Revenue	236.52M	731.07M	1.02B	1.11B
Operating Expenses	60.56M	431.62M	575.11M	1.03B
Operating Income	19.53M	70.72M	102.51M	328.85M
Revenue Growth YoY	8.11%	9.90%	1.17%	-0.17%
Gross Profit	80.09M	502.34M	677.63M	1.07B

^ Balance Sheet

As of Jun 23, 2024	MJG1.F MAJOR CINEPLEX -FG...	PVRINOX.NS PVR INOX LIMITED	CGX.TO CINEPLEX INC.	079160.KS CJ CGV
Inventory	5.81M	8.68M	11.91M	13.67M
Account Receivables Turnover	16.78	29.29	20.93	9.74

^ Cash Flow

As of Jun 23, 2024	MJG1.F MAJOR CINEPLEX -FG...	PVRINOX.NS PVR INOX LIMITED	CGX.TO CINEPLEX INC.	079160.KS CJ CGV
Cash Flow from Operations	52.94M	236.90M	179.12M	129.86M
Capital Expenditures	-24.95M	-75.94M	-46.26M	-72.67M
Cash from Investing Activities	-11.03M	-75.01M	50.34M	-71.35M
Free Cash Flow	27.99M	160.96M	132.86M	57.19M

^ Margin

As of Jun 23, 2024	MJG1.F MAJOR CINEPLEX -FG...	PVRINOX.NS PVR INOX LIMITED	CGX.TO CINEPLEX INC.	079160.KS CJ CGV
Operating Margin	8.26%	9.67%	10.08%	29.52%
Gross Margin	33.86%	68.71%	66.65%	96.29%
Profit Margin	12.81%	-0.52%	14.54%	-6.33%

^ Equity Return

As of Jun 23, 2024	MJG1.F MAJOR CINEPLEX -FG...	PVRINOX.NS PVR INOX LIMITED	CGX.TO CINEPLEX INC.	079160.KS CJ CGV
Return on Assets	7.74%	-0.19%	9.42%	-2.82%
Return on Capital	11.37%	3.60%	-19.07%	-22.48%

Figure 4.6 Comparison of MAJOR financial performance with Peer Groups (cont.)

Major Cineplex Group (MJG1.F) shows moderate profitability with a gross profit margin of 33.86%, an operating margin of 8.26%, and a net profit margin of 12.81%, alongside a positive return on assets (ROA) of 7.74% and a revenue growth rate of 8.11%. Compared to its peers, Major Cineplex has low gross and operating margins but maintains a strong positive net profit margin and ROA, indicating stable financial performance. In contrast, PVR INOX LIMITED (PVR INOX.BO) and Cineplex Inc. (CGX.TO) exhibit higher gross margins with lower net profit margins than MAJOR, with Cineplex Inc. leading in overall profitability and efficiency. CJ CGV

(079160. KS) has the highest gross and operating margins but struggles with negative net profit margin and ROA, suggesting profitability challenges due to high operating expenses. Regarding revenue growth rate, Major Cineplex Group (MJG1.F) has a respectable growth rate of 8.11% while peer companies within the same industry show an average revenue growth rate of 9% from (PVR INOX)

4.1.3 Dupont analysis (ROE)

Table 4.1 Dupont Analysis of MAJOR

Dupont Analysis	2019	2020	2021	2022	2023
Asset Turnover	0.8	0.3	0.2	0.4	0.6
Net Profit Margin	11.1	-13.7	45.7	4.0	12.2
Equity Multiplier (A/E ratio)	2.2	2.7	2.3	2.1	2.4
ROE	18.5	-9.4	21.1	3.6	17.6

Source: SET SMART (2024)

MAJOR Cineplex has a positive Return on Equity with a 3-year Average of 16.14% before covid era. In 2023, Major Cineplex achieved an Asset Turnover ratio of 0.60, indicating that for every dollar invested in assets, the company generated \$0.60 in revenue. And 60% of the ROE is driven by the company's ability to efficiently use its assets to generate sales revenue. With an Equity Multiplier (A/E Ratio) of 2.4 in 2023, Major Cineplex utilizes a significant level of financial leverage, indicating that for every dollar of equity, the company has \$2.40 in total assets. This higher leverage contributes to the return on equity. Major Cineplex achieved a Net Profit Margin of 12.18% in 2023, which contributes directly to ROE, reflecting that for every dollar of revenue generated, the company retained \$0.12 as net profit. This profitability metric demonstrates efficient cost management and revenue generation, ensuring a healthy bottom line.

4.1.4 Return on Equity Comparison with Peer Groups

Table 4.2 Comparison of ROE between MAJOR and PEER Groups

Dupont Analysis	MAJOR	PVR	Cineplex	CGV
Asset Turnover	0.6	0.3	0.6	0.5
Net Profit Margin	12.2	0.0	9.9	-7.1
Equity Multiplier (A/E ratio)	2.4	2.3	-57.6	7.6
ROE	17.6	0.0	-360.8	-24.3

Source: Yahoo Finance (2024)

MAJOR stands out positively among its peers in the cinema industry based on the DuPont Analysis. With an asset turnover of 0.6, MAJOR efficiently utilizes its assets to generate revenue, which is comparable to Cineplex (0.6) and higher than both PVR (0.3) and CJ-CGV (0.5). MAJOR's net profit margin of 12.2% indicates strong profitability, in stark contrast to PVR's 0.0%, Cineplex's 9.9%, and CJ-CGV's -7.1%. This solid profit margin contributes significantly to MAJOR's robust Return on Equity (ROE) of 17.6%. Additionally, MAJOR's equity multiplier of 2.4 reflects moderate financial leverage, suggesting a balanced approach to using debt for growth. In comparison, PVR's equity multiplier of 2.3 is similar but does not translate to profitability. Cineplex's negative equity multiplier of -57.6 indicates severe financial distress, leading to a highly negative ROE of -360.8%, while CJ-CGV's high equity multiplier of 7.6, coupled with a negative net profit margin, results in a negative ROE of -24.3%. Overall, MAJOR demonstrates superior financial performance and stability, making it the most robust entity among its peers.

4.2 DCF Valuation

4.2.1 Revenue/Sales forecasts

Table 4.3 Cinema Ticket Sales Forecast

Forecast Cinema Sales	2024	2025	2026	2027	2028
Guest Count	34,196,000	35,221,880	36,278,536	37,366,892	38,487,899
Average Ticket Price/Guest	145	145	145	145	145
Total Cinema Ticket Sales	4,958,420,000	5,107,172,600	5,260,387,778	5,418,199,411	5,580,745,394
Cinema Ticket Sales Growth	-1.1%	3.0%	3.0%	3.0%	3.0%

Source: MAJOR's Annual Report, 2017-23

The most important metric to forecast the total revenues for the Major Cineplex is the cinema sales. For us to get an accurate forecast for cinema sales, it is important to understand the growth of guest count, which is primarily the key driver for growth which translates to growth in all other lines of business as well, historically, the guest count in the pre-Covid era was increasing constantly at 7% to 9% with a massive spike in 2019 at 20% year on year growth. We would have to overlook the growth rates in the Covid era due to a major impact seen in the total number of guest count coming into the theatres, we are assuming a constant growth rate of 3% increase year on year for the total number of guest count to increase and at this rate, major will have the same amount of guest count as 2019 only in the year of 2028. Our conservative forecast also reflects the impact of an increase in direct and indirect competitors.

Table 4.4 ATP breakdown by region

Average Ticket Price Breakdown					
Regions	2024	2025	2026	2027	2028
Bangkok	200	200	200	200	200
Upcountry	130	130	130	130	130

Source: MAJOR's Annual Report, 2017-23

Historically, The average ticket price has always been higher for Bangkok due to the higher purchasing power of the region, compared to the up-country region, which has always had lower ticket prices. Even though the average ticket price has been

increasing for Bangkok's customers, it must be noted that an equal proportion of decline is being seen in the average ticket price of the upcountry region, which means we are picking an average point of 145 Thai baht as the average ticket price for the entire business for our forecast.

Table 4.5 Guest count breakdown by region

Guest Count breakdown by regional (%)					
Regions	2024	2025	2026	2027	2028
Bangkok	40%	40%	40%	40%	40%
Upcountry	60%	60%	60%	60%	60%
Total	100%	100%	100%	100%	100%

Source: MAJOR's Annual Report, 2017-23

As mentioned earlier, the average ticket price has been taken as a conservative measure at only 145 five baht because of the key metric shown in the above graph, which represents the guest count breakdown between Bangkok and upcountry. Historically, Bangkok used to make up about 59 to 60%, of the total guest count in the year 2016, but the portfolio mix of Bangkok customers has constantly declined starting from 2016 and now stands at 39% in 2023, which results in a lower average ticket price per customer for the entire business. Also, the Bank market has already saturated in terms of the number of theatres present in this area, so the next wave of expansion for major cineplexes would be coming by expanding into the upcountry region due to which the average ticket price might become even lower than what is currently stated in their business.

Table 4.6 Concession Sales Forecast

Forecast Concessions	2024	2025	2026	2027	2028
Total Cinema Ticket Sales	4,958,420,000	5,107,172,600	5,260,387,778	5,418,199,411	5,580,745,394
Concession to Box Office Ratio	62.0%	62.0%	62.0%	62.0%	62.0%
Total Concession Sales	3,074,220,400	3,166,447,012	3,261,440,422	3,359,283,635	3,460,062,144
Concession Sales Growth	-1.1%	3.0%	3.0%	3.0%	3.0%

Source: MAJOR's Annual Report, 2017-23

This stands as one of the most important metrics to forecast to get the right valuation of the business as the concessions form up to 65% of the total gross profits earned by Major Cineplex. The most important metric to accurately forecast concessions

would be to derive from the total guest count and the total cinema sales that it has been able to generate and would be able to generate in the coming years. An important metric to track is the concession to box office ratio, which defines how much concessions are being sold in comparison to a hundred baht of cinema ticket sales. The concession to box office ratio has been around 30 to 35% in the years 2016 and 2017. However, this has seen a massive increase and is now tracking at 62% in the year 2023. It must be noted that the next wave of expansion to increase the concessions would come by expanding the concessions to out-of-cinema theatres through kiosks, modern trade, e-commerce, etc if we do a quick comparison with peers such as PVR Cineplex, they have also been tracking at a 62% concession to box office ratio which is an impressive number for the entire industry. However, it must also be noted that the saturation of concession sales might come sooner rather than later.

Table 4.7 Advertising Revenue Forecast

Forecast Advertising Revenue	2024	2025	2026	2027	2028
Total	1,003,220,000	1,033,316,600	1,064,316,098	1,096,245,581	1,129,132,948
Advertising Revenue Growth	3.0%	3.0%	3.0%	3.0%	3.0%

Source: MAJOR's Annual Report, 2017-23

Advertising revenue, even though it forms roughly about 10 to 15% of the total revenue generated by major corporations, it must be noted that there are impressive gross profit margins for this line of business. Historically, the gross profit margins have constantly stayed around 80 to 85% reflecting a unique selling point for Major Cineplex to advertise itself as the perfect point for brands to advertise their upcoming products, because of the high attention span generated when customers are watching a movie in the theatres for which the brands are willing to pay more to advertise in the cinemas. Advertising revenue growth will fall in line with the increase in the guest count and the cinema sales, because the number of theatres, in this case, is also acting as the display point for all of these advertisements. The more customers step in to watch a movie, the more theatres will be created and the more advertisements will be displayed. The advertising revenue cannot outgrow the growth in cinema ticket sales, and this trend can be observed historically as well.

Table 4.8 Total Revenue Forecast

Final Revenue Forecast (THB Mn)

Revenue Category	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Cinema Ticket Sales	5573	5883	1732	1475	3258	4361	4958	5107	5260	5418	5581
Concessions	1990	2139	715	783	1725	2309	3074	3166	3261	3359	3460
Advertising	1393	1605	565	301	703	941	1003	1033	1064	1096	1129
Bowling & Karoke	398	428	188	90	319	428	440	454	467	481	496
Rental Services	398	428	339	271	256	257	262	267	272	278	283
Movie Contents	199	321	188	120	192	171	180	189	198	208	218
Total Revenue	9952	10697	3765	3010	6388	8551	9917	10216	10524	10840	11167

Source: MAJOR's Annual Report, 2017-23

The above graph represents the consolidated total revenue that major cineplexes are expected to generate by each line of business in the upcoming five years. 2024 is expected to be the bounce-back year for the movie industry and the growth forecast for this year is at 16%, which is in line with the recent first quarter financial results published by Major Cineplex for the year 2024 as well after the year 2024, we are forecasting, that major will have a constant growth of 3% in their revenues for the next four years due to the saturation of its business in Bangkok.

Table 4.9 Gross Profit Margin Forecast

Gross Profit Margin by Line of Business

Gross margin by Revenue Category	2023	2024	2025	2026	2027	2028
Cinema Ticket Sales	51%	11%	11%	11%	11%	11%
Concessions	58%	58%	58%	58%	58%	58%
Advertising	85%	85%	85%	85%	85%	85%
Bowling & Karoke	49%	40%	40%	40%	40%	40%
Rental Services	-7%	3%	3%	3%	3%	3%
Movie Contents	15%	20%	20%	20%	20%	20%

Source: MAJOR's Annual Report, 2017-23

The gross profit margins are forecasted to primarily follow the historical rates that have been observed in the business over the past few years. We are forecasting that concession sales will have a gross margin of roughly around 58%. Even though historically, this number has been up to 68 to 69%, the reason for underforecasting the gross profit margins is because of the direction that the management has taken to increase the concessions sales. They are going to be expanding their concession sales by targeting out-of-cinema customers, which means they would be going through food delivery platforms, such as LINE MAN, Grab, et cetera, where these middleman

platforms would have their service fee and delivery charges as well, resulting into lower gross margins, even though the revenues might increase a little bit.

4.2.2 FCFF projections

Firstly to project free cash flows to the firm, we need to find the EBIT first where we began by forecasting revenues and then subtracting the Cost of Goods Sold (COGS), which we assumed to be 66% of revenues. This gave us the Gross Profit, with a margin of 34% from which we subtracted Operating Expenses (assumed to be 11% of revenues) and added Other Income (8% of revenues). The resulting EBITDA was reduced by Depreciation, which we assumed to be 15% of revenues each year, to get the EBIT (17% of Revenue).

Table 4.10 Free Cash Flow Projections

Income Statement (M.Baht)					Forecast -->					
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Revenues	10,697	3,765	3,010	6,388	8,551	9,917	10,216	10,524	10,840	11,167
(-) COGS	(6,849)	(3,164)	(2,858)	(4,612)	(5,684)	(6,516)	(6,712)	(6,914)	(7,122)	(7,336)
Gross Profit	3,848	601	151	1,777	2,868	3,401	3,504	3,610	3,719	3,831
(-) Operating Expenses	(921)	(376)	(752)	(412)	(964)	(1,091)	(1,124)	(1,158)	(1,192)	(1,228)
Other Income	813	841	3,856	477	675	744	766	789	813	838
EBITDA	3,740	1,066	3,255	1,842	2,579	3,054	3,146	3,241	3,339	3,440
(-) Depreciation	(1,716)	(1,524)	(1,104)	(1,321)	(1,236)	(1,488)	(1,532)	(1,579)	(1,626)	(1,675)
EBIT	2,024	(458)	2,151	521	1,343	1,566	1,614	1,663	1,713	1,765
(-) Interest expense	(234)	(175)	(258)	(201)	(204)	(248)	(255)	(263)	(271)	(279)
EBT	1,790	(633)	1,893	320	1,139	1,318	1,358	1,400	1,442	1,486
(-) Tax	(355)	93	(354)	(51)	(75)	(264)	(272)	(280)	(288)	(297)
Net Profit	1,435	(540)	1,539	269	1,064	1,055	1,087	1,120	1,154	1,189
	13%	-14%	51%	4%	12%	11%	11%	11%	11%	11%
Effective Tax rate	19.83%	14.69%	18.70%	15.94%	6.58%	20.00%	20.00%	20.00%	20.00%	20.00%
EPS (894 mil shares outstanding)	1.60	-0.60	1.72	0.30	1.19	1.18	1.21	1.25	1.29	1.33

DCF					Forecast -->					
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
EBIT	2,024	(458)	2,151	521	1,343	1,566	1,614	1,663	1,713	1,765
(-) Tax on EBIT	(401)	67	(402)	(83)	(88)	(313)	(323)	(333)	(343)	(353)
NOPAT	1,623	(391)	1,749	438	1,255	1,253	1,291	1,330	1,370	1,412
(+) Depreciation	1,716	1,524	1,104	1,321	1,236	1,488	1,532	1,579	1,626	1,675
Add/Minus: Change in Net working capi	(683)	(796)	(4,201)	(1,665)	(715)	(694)	(715)	(737)	(759)	(782)
Add/Minus: Capital Expenditure	(856)	(316)	(217)	(608)	(912)	(750)	(800)	(800)	(800)	(930)
Free cash flow to firm	1,800	21	(1,565)	(513)	863	1,297	1,308	1,372	1,438	1,375

After we projected EBIT and tax value with effective tax rate to calculate NOPAT, we added back depreciation and adjusted for changes in net working capital and capital expenditures to find Free Cash Flow to Firm (FCFF). The effective tax rate was assumed to be 20% of EBT (Earnings Before Tax). For changes in Net Working Capital (NWC), we calculated historical figures and used an average cash conversion cycle of -60 days, as cinema operations typically involve immediate cash sales without credit. A negative Cash Conversion cycle indicates Major can maximize the time it

holds cash by delaying payments to suppliers while immediately collecting cash from sales. This situation is financially beneficial, improving liquidity and allowing the cinema to potentially invest excess cash or reduce the need for external financing.

For capital expenditures (CapEx), we reviewed the company's management discussion and analysis reports, which indicated an annual investment of around 800 million Baht. These assumptions allowed us to forecast the free cash flows, which were then discounted to derive the enterprise value and equity value.



Figure 4.7 Analyst Forecast of Relative Valuation Multiples for MAJOR FY0 and FY1

Source: SET Trade (2024)

Based on the analyst forecasts, our current EPS (earnings per share) predictions for 2024 and 2025 are quite optimistic. For 2024, the average EPS forecast is 0.96, with a range between 0.74 and 1.3. Our current forecast of 1.18 falls within this range and closer to the upper end of the range. For 2025, the average EPS forecast is 1.12, with a range from 0.88 to 1.50 indicating a positive outlook for MAJOR stock and our current forecast of 1.21 falls within this range and closer to the upper end of the range. Given these forecasts, our predictions are achievable if performance improves or exceeds typical market expectations, especially for 2024. This suggests that the confidence in our forecast is supported by the fact that our estimates fall within the analyst-projected range, even though they are somewhat optimistic.

4.2.3 Terminal growth rate of FCFE

In determining the Terminal Growth Rate of 1% for MAJOR Cineplex Thailand, we considered the economic environment and specific risks faced by the cinema industry. In normal cases, the Terminal Growth Rate is estimated as the sum of GDP growth rate and inflation rate. In Thailand, GDP growth is projected at 2.5% and inflation at 2.5%, which leads to a Terminal Growth Rate of 5%. However, due to uncertainties like political, health (e.g., COVID-19), and environmental factors affecting cinemas, a conservative approach was adopted. Given MAJOR Cineplex Thailand's growth stage and to avoid extreme pessimism, we adjusted the Terminal Growth Rate to 1%. This choice was validated through sensitivity analysis, assessing its impact on the firm's Terminal value, Enterprise and Equity values. Our approach balances caution with growth expectations specific to the cinema industry's dynamics in Thailand.

4.2.4 WACC

4.2.4.1 Capital structure (= weights of debt and equity)

Understanding the capital structure of MAJOR Cineplex involves analyzing its debt (D) interest-bearing debts and equity (E) components. Currently, MAJOR Cineplex has a total debt of 5,050 million baht, consisting of a long-term loan of 4.3 billion baht and notes payable totalling 700 million baht. On the equity side, the company's equity value stands at 6,100 million baht.

<i>in millions</i>	Equity	Debt
Market Value	6,112	5,050
Weighting	55%	45%
<i>D/E ratio</i>	<i>0.83</i>	

Figure 4.8 Weight of debt and Equity

Source: MAJOR's Annual Report, 2017-23

Now, we can determine the weighting of each component in MAJOR's capital structure. Equity holds a book value of 6,100 million baht, constituting 55%

of the total capital structure. On the other hand, debt holds a book value of 5,050 million baht, making up the remaining 45%. The firm currently has a debt-to-equity ratio of 0.83 due to the nature of its business, which involves long-term lease agreements for locations in shopping malls and department stores and MAJOR tries to maintain a stable capital structure and strong solvency ratio.

4.2.4.2 Cost of equity estimate

To derive the Cost of Equity of 11% for MAJOR Cineplex Thailand, we integrated additional considerations specific to the cinema industry's risk profile. The risk-free rate (R_f), sourced from Thailand's 10-year government bond yield, is 2.66%. (source: Thai BMA, 2024) , MAJOR Cineplex's beta coefficient, obtained from the Stock Exchange of Thailand (SET), is adjusted to 0.95, reflecting its higher volatility compared to other industries due to cinema-specific risks such as economic cycles and consumer behaviour shifts. The market risk premium, compensating for market risk beyond the risk-free rate, is set at 6.9% for Thailand. (source: Stern NYU, 2024)

In applying the Capital Asset Pricing Model (CAPM), which combines these factors, we calculated MAJOR Cineplex's Cost of Equity at 9.3%. This Cost of Equity represents the expected return that investors demand to compensate for the specific risks associated with investing in MAJOR Cineplex, considering both the systematic market risk and the higher volatility inherent in the cinema industry.

Equity	
weighting of Equity	55%
R_f	2.7%
Beta	0.95
Market risk premium	6.9%
Cost of Equity	9.3%

Figure 4.9 Cost of Equity

4.2.4.3 Cost of debt

To determine the Cost of Debt before tax for MAJOR Cineplex Thailand, we considered their current outstanding bond, ticker symbol MAJOR279A, which was issued with a fixed coupon rate of 4.25% and which will mature on 7 September 2027, with quarterly coupon payments. Even though the current yield rate of MAJOR279A is

3.45%, given the prevailing market conditions of Thailand's macroeconomic outlook and the bond market, we observed that the bond yield averages between 4% to 4.5%, leading us to select a cost of debt before tax of 4.5%.

After accounting for Thailand's corporate tax rate of 20%, we calculated the Cost of Debt after tax using the formula: Cost of Debt after tax = Cost of Debt before tax \times (1 - Tax rate). This calculation results in a Cost of Debt after tax of approximately 3.60%. This figure represents the effective cost of debt for MAJOR Cineplex Thailand, factoring in tax advantages associated with interest payments.

Equity		Debt	
weighting of Equity	55%	weighting of Debt	45%
Rf	2.7%	Cost of debt before tax	4.5%
Beta	0.95	Tax rate	20%
Market risk premium	7%	Cost of debt after tax	3.6%
Cost of Equity	9.3%		
WACC	6.8%		

Figure 4.10 WACC Calculations

Symbol	MAJOR279A <small>IJ/HNW</small>			Registration Date	7 September 2022	
Issuer	MAJOR CINEPLEX GROUP PUBLIC COMPANY LIMITED			Name (Thai)	ผู้ถือหุ้นบริษัท เมเจอร์ ซินีเพล็กซ์ กรุ๊ป จำกัด (มหาชน) ครั้งที่ 1/2565 ครบกำหนดไต่ถามปี พ.ศ. 2570	
ISIN Code (Local)	TH0671037909			Put/ Call Option	-	
ISIN Code (Foreign)				Collateral	-	
Bond Type	[Senior] [Unsecured]			Payment Frequency	Quarterly	
Initial Par	THB 1,000.0000			Calculation Method	30/360	
Current Par	THB 1,000.0000			Issue Term / TTM	5.00 Yrs./3.16 Yrs.	
Issue Size	THB 1,000.00 mln.			Issue Date	7 September 2022	
Outstanding Size	THB 1,000.00 mln.			Maturity Date	7 September 2027	
Distribution	Institutional Investors or High Net Worth Investors			Prospectus	📄	
Index Ratio				External Review Report (ESG)	Not Available	
Issue Rating	Rating Agency		Issue Rating		Rating Date	
	Local	TRIS	A-		2 Jan 2024	
Issuer Rating	Issuer Name		Rating Agency		Issuer Rating	
	MAJOR		Local TRIS		A- 2 Jan 2024	
Guarantor Rating	Guarantor Name		Rating Agency		Guarantor Rating	
Coupon Payment	Reference			Max.	Min.	From
	Fixed: 4.25%					7 Sep 2022
Amortized Schedule	Coupon Date			Principal Amount		
Registrar	BANK OF AYUDHYA PUBLIC COMPANY LIMITED			Debenture Holder Representatives	BANK OF AYUDHYA PUBLIC COMPANY LIMITED	
Underwriter(s)	UNITED OVERSEAS BANK (THAI) PUBLIC COMPANY LIMITED			Financial Advisor(s)	-	
Remark						

Figure 4.11 Risk free rate: Thailand

Source: Thai BMA, 2024

Issuer		Bond Information						
Registered Bond		Symbol: MAJOR279A						
Registered Bond		Search						
Bond Information		Feature Rating Pricing Data News Auction & Result Outstanding Value Financial Covenant Embedded Option Participants XI XM CD						
New Registered Bond		Cross Default						
Bond Switching		MAJOR279A : DEBENTURES OF MAJOR CINEPLEX GROUP PUBLIC COMPANY LIMITED NO. 1/2022 DUE B.E. 2570						
Inflation-Linked Bond								
Green, Social & Sustainability Bond								
Auction & Result								
Corporate Calendar								
Event Sign Bond								
Date	Price(%)	Executed Yield(%)	Value (THB)	Price(%)	Weighted Average Executed Yield(%)	Value (THB)	Spread (bp)	Remark
18-Jun-2024	102.416381	3.450000	1,025,677.51	102.416381	3.450000	1,025,677.51	104	SL
07-Jun-2024	100.141848	4.200000	500,942.12	99.991429	4.249925	1,000,377.77	180	SL
28-May-2024	100.610506	4.050000	1,005,173.55	100.231047	4.174525	2,002,728.95	165	SL
10-Nov-2023	101.589194	3.800000	512,079.53	101.235977	3.899653	1,020,614.59	112	SL
11-Sep-2023	101.842016	3.750000	10,193,516.70	101.842016	3.750000	10,193,516.70	115	
23-Aug-2023	101.860306	3.750000	10,175,551.10	101.860306	3.750000	10,175,551.10	131	
21-Jul-2023	101.888459	3.750000	30,741,195.30	101.888459	3.750000	30,741,195.30	141	
23-May-2023	101.966872	3.750000	30,558,623.10	101.966872	3.750000	30,558,623.10	158	
20-Feb-2023	101.658213	3.850000	10,150,684.30	101.658213	3.850000	10,150,684.30	175	
10-Feb-2023	100.633652	4.100000	20,292,072.80	100.633652	4.100000	20,292,072.80	206	NL

Remark: The coupon (%) of Inflation Linked Bond is real coupon (%). Interest, par value, principal and total payment values are unadjusted by inflation.

Figure 4.12 Major Corporate Bond Yield

Source: Thai BMA (2024)

4.2.4.4 WACC estimate

To determine a Weighted Average Cost of Capital (WACC) of 6.8% for MAJOR Cineplex Thailand, we utilized the company's capital structure and respective costs of equity and debt. The capital structure is composed of 55% equity and 45% debt, reflecting the current book values of these components. The Cost of Equity was determined using the Capital Asset Pricing Model (CAPM), considering a risk-free rate (Rf) of 2.7%, a beta of 0.95 reflecting the cinema industry's risk profile, and a market risk premium of 6.9%. This resulted in a Cost of Equity of 9.3%.

For the Cost of Debt, we incorporated the company's current bond yield, which averages between 4% to 4.5%, leading to a selected Cost of Debt before tax of 4.5%. Adjusting for Thailand's corporate tax rate of 20%, the Cost of Debt after tax was calculated at 3.60%.

Combining these factors using the formula: $WACC = (\text{Cost of Equity} * \text{Equity weight}) + (\text{Cost of Debt after tax} * \text{Debt weight})$, we arrived at a WACC of 6.8%. The figure represents the average cost of financing for MAJOR Cineplex to acquire assets and full operations, factoring in both equity and debt financing costs relative to their respective market weights.

It's important to note that WACC can vary a bit in the future due to changes in the company's capital structure, adjustments in the financing mix, or shifts

in market conditions impacting the costs of equity and debt. Therefore, we conducted sensitivity analyses further to gauge how fluctuations in the WACC could impact the Terminal, Enterprise, and Equity values of the company.

4.2.5 DCF Valuation Result

- Discounted cash flow valuation

	2024	2025	2026	2027	2028
Free cash flow to firm	1,297	1,308	1,372	1,438	1,375
Terminal Value					24,043
DF	6.8%	6.8%	6.8%	6.8%	6.8%
PV of FCFF	1,214	1,148	1,127	1,106	991
PV of TV					17,321
Terminal Growth rate	1.0%				
WACC	6.8%				
	<i>in Mil (THB)</i>				
EV/EV (Value of company operatic	22,907				
Cash + Short term Investment	2,725				
(-) Short term, Long term IBD, Not	(5,050)				
(-) Preferred stock					
Equity value	20,581				
No.of shares outstanding	895				
Stock price	23.00				
Current Stock price	12.70				
<i>Undervalued by</i>	<i>81%</i>				

Figure 4.13 Stock Valuation based on DCF

For the DCF valuation, we discounted Each year's FCFF using a 6.8% WACC, and we estimated the terminal value with a 1% growth rate, discounting it to the present value. Adding the present values of FCFF and the terminal value gave us the Enterprise Value (EV). After adjusting for cash, investments, and debt, we calculated the Equity Value, which, when divided by the number of shares, resulted in a stock price of THB 23, showing the stock is undervalued by about 81% compared to its current price of THB 12.70.

4.3 Sensitivity Analysis

Sensitivity Analysis											
WACC	Stock price (Bht)				GROWTH RATE						
	23	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%
5.6%	27	29.7	33	37.3	42.9	50.7	62.2	81.1	117.5	216.8	
5.9%	25.4	27.7	30.6	34.2	38.9	45.2	54.1	67.8	91.4	142	
6.2%	23.9	26	28.5	31.6	35.5	40.7	47.8	58.1	74.7	105.3	
6.5%	22.6	24.4	26.6	29.3	32.6	37	42.7	50.8	63	83.5	
6.8%	21.4	23.0	24.9	27.3	30.2	33.8	38.6	45.1	54.5	69.1	
7.1%	20.3	21.7	23.5	25.5	28	31.2	35.2	40.5	47.9	58.8	
7.4%	19.3	20.6	22.1	24	26.2	28.9	32.3	36.7	42.6	51.1	
7.7%	18.4	19.6	20.9	22.6	24.5	26.9	29.8	33.5	38.4	45.1	
8.0%	17.5	18.6	19.9	21.3	23	25.1	27.7	30.8	34.9	40.4	
8.3%	16.7	17.7	18.9	20.2	21.7	23.6	25.8	28.5	32	36.5	
8.6%	16	16.9	18	19.1	20.5	22.2	24.1	26.5	29.5	33.2	

Max 25 96%
 Min 19 52%

Baht Undervalued by

Figure 4.14 Sensitivity analysis on WACC and growth rate

We conducted a sensitivity analysis to explore how changes in the Weighted Average Cost of Capital (WACC) and growth rate (TGR) impact the stock price (equity value). The analysis uses a range of WACC values from 5.6% to 8.6% and growth rates from 0.5% to 5%. The table shows the resulting stock prices under different scenarios. Currently, the stock price is THB 23, given a WACC of 6.8% and a growth rate of 1%. To understand the potential variations in the stock price, we focus on a WACC range of 6.5% to 7.7% and a TGR range of 0.5% to 1.5%. Within these ranges:

- The maximum stock price can be 25 baht
- The minimum stock price can be 19 baht

This analysis helps to see how changes in WACC and terminal growth rate can impact the firm's Terminal value, Enterprise value, Equity value and share price within the equity market.

4.4 Valuation Recommendation

Before we provide our recommendation, we have concluded that Major's stock exhibits varying potential outcomes depending on various factors such as market conditions, threat from substitute products and risk from Blockbuster film releases. However, based on our thorough review of Major's financial health and growth prospects, we foresee strong revenue growth, solid profitability, and a leading role in its industry.

Moreover, Major's strong market position and well-known brand in its industry support its valuation, showing a strong base for future growth. Also, Major plans to expand within underscreened areas in urban and rural regions of Thailand but also in CLMV groups such as Cambodia, Laos, Myanmar, and Vietnam. These strategic initiatives for expansion and innovation are poised to further enhance its market position and profitability.

Based on the sensitivity analysis with the base case scenario, where the stock is valued at 23 THB with a WACC of 6.8% and TGR of 1%, it remains undervalued by about 81%. In the best-case scenario, with a projected stock price of 25 THB assuming a WACC of 6.5% and TGR of 1.5%, the stock is undervalued by approximately 96% compared to its current market price of 12.7 THB. Even in the worst-case scenario, where the stock could reach 19 THB with a WACC of 7.7% and TGR of 0.5%, it remains undervalued by approximately 52 %.

Given these scenarios, it is a compelling opportunity to invest in Major stock, particularly if market conditions align favourably with lower WACC and higher TGR assumptions, suggesting potential for significant future appreciation from the current market price.

In addition, on June 23, 2024, Major announced a share buyback program for 76.8 million shares, representing 9.26% of its outstanding shares. This buyback is expected to reduce the number of shares outstanding in the market which is currently at 895 million, enhancing earnings per share (EPS) and return on equity (ROE). By boosting these key financial metrics, the buyback can make the stock more attractive to investors, potentially driving up its price. This move can also signal management's confidence in the company's undervalued stock, aligning with our undervaluation of 38%. Therefore, we recommend buying Major's stock, as the buyback is likely to increase shareholder value and support future stock price appreciation.

CHAPTER V

RISKS

5.1 Risk from Declining Cinema Attendance Due to Inclination Towards OTT Platforms

The rise and growth in the streaming services offered by companies like Netflix, Amazon, Disney + Hotstar has been immense. This has led to a change in consumer behaviour shifting towards these platforms for watching movies as they find it more convenient, flexible, variety of options, at a lower cost. Major Cineplex's threat is that more and more customers want to consume movies and series through these OTT platforms because of the changing times. This would have a direct impact on the guest count for Major Cineplex. As we all know, guest count is a key business driver for all other lines of business for Major Cineplex and is not only limited to cinema ticket sales. There is substantial evidence that a lot of customers still prefer going to the theatres to watch movies. However, it is also true that a lot of customers are shifting towards OTT platforms.

5.2 Risk of low-quality content shifting to cinemas

One of the biggest drivers for increasing guest count For Major Cineplex is the ability to capture some of the highest quality movies and distribute them in their theatres. OTT platforms have increased their acquisition costs by paying more for the distribution rights of movies and series. If Major Cineplex is unable to compete with the OTT platforms to win the distribution rights of these movies, they will eventually lose out on getting their hands on high-quality content to distribute to their consumers, which in turn, will have a direct impact on the guests count that they receive. As we all know, the guest count is the most important metric and the biggest business driver for all other lines of business being operated by them. Local content produced in Thailand is also being purchased by OTT platforms like Netflix and Amazon and the distributors also

find it more attractive to sell their movie rights to OTT platforms because of a fixed acquisition cost through them, guaranteeing them their income, regardless of the reception that the movie receives from the audience.

5.3 Risk of not being able to adapt to technological advancements

Their only major direct competitor in Thailand as of now is SF Cinemas, which spends heavily on trying to enhance their technology. To stay ahead of direct competitors, like SS Cinemas and indirect competitors like Netflix, Amazon, et cetera, they need to keep on investing to enhance their technological advancements to remain an attractive value proposition for the customers. The cinema experience provided by Major Cineplex still stands as the key selling point for customers opting to watch their movies in theatres and to maintain a high-quality movie-watching experience Major Cineplex would need to keep on investing to enhance this experience to international standards.

5.4 Risk from Changing Demographics in Thailand

Thailand is expected to have unfavourable demographics in the coming years as we are slowly shifting towards an ageing population. This would have an impact on the guest count for Major Cineplex as the average age of the customer segment that they are catering towards is 28. If the average age of the whole economy increases towards the ageing population. The older population has a different way of entertaining themselves and this changes with the age segment that they belong.

5.5 Risk from Political Instability and Regulatory Changes

Thailand has had a history of political instability, including coups and frequent changes in the government structure which has impacted business operations and lower investor confidence. When a government is unstable, there can be shifts in regulatory changes which could pose an impact on Major Cineplex's business operations, the government policies on media, entertainment, and foreign investment can also impact

Major Cineplex operations, there are strict regulations related to film censorship and content restrictions which the OTT platforms do not have to abide.

5.6 Risk from Stagnant Growth in the Economy

The forecasted GDP growth for Thailand for the next three years is around 2.4%, which is pretty low when compared with its Southeast Asian peers. A flourishing economy is of vital importance to Major Cineplex's business operations. As it falls under the entertainment industry. The consumers will spend in cinemas only when their basic needs are fulfilled. If the discretionary income of the population decreases, it will have a direct impact on the purchasing power of the customers, due to this decline, they will prefer to spend more on their basic needs rather than for entertainment purposes. A lot of analysts have forecasted a stagnant growth in the Thailand economy and some have even predicted a recession in the economy, which means that the marginal propensity to consume will shift towards savings for the economy, leaving no money in the customer's pockets to spend on discretionary needs.

CHAPTER VI

CONCLUSION

After a thorough examination, it is clear that Major Cineplex is still a major force in the Thai entertainment market. Its strong business strategy and many advantages put it in a good position for expansion in the future. Major Cineplex has shown flexibility and strategic insight in the face of worldwide challenges to the film business, which has ensured its sustained relevance in a changing market. At its current price of 12.4 baht per share, Major Cineplex is a very attractive investment. A fair valuation of 23.01 baht per share is suggested by our Discounted Cash Flow (DCF) analysis, implying a significant upside potential of around 81%. The substantial discount to its true worth indicates how undervalued Major Cineplex's operational stability and potential for future expansion are by the market.

Therefore, we recommend a "buy" on Major Cineplex stock. By capitalizing on its advantages and adjusting to the ever-changing entertainment scene, Major Cineplex is not simply surviving but flourishing. The company is well-positioned for ongoing development due to its strategic goals, solid market position, and dedication to improving the customer experience. Investors may find the current share price of 12.7 baht to be a compelling starting point, and our fair valuation of 23.01 baht suggests substantial upside potential. In the face of disruptions to the industry, Major Cineplex is an example of creativity and resilience. The business is well-positioned to continue offering its consumers outstanding entertainment experiences and producing strong returns for its investors by adhering to its basic values while welcoming change. We think Major Cineplex is still a great investment option and are hopeful about its future.

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