

**RELATIVE VALUATION OF MAJOR CINEPLEX GROUP
PUBLIC COMPANY**

The seal of Mahidol University is a circular emblem. It features a central blue circle containing a golden Thai-style stupa or chedi. Surrounding this central circle is a white ring with Thai script. The outermost ring is a light blue border, also containing Thai script. The text 'HAN HTIKE SOE' is printed in black, bold, uppercase letters across the center of the seal.

HAN HTIKE SOE

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

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Thematic paper
entitled
**RELATIVE VALUATION OF MAJOR CINEPLEX GROUP
PUBLIC COMPANY**

was submitted to the College of Management, Mahidol University
for the degree of Master of Management

on
24 August 2024



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ACKNOWLEDGEMENTS

To accomplish the success of this thematic paper, I would like to express my deepest gratitude to my advisor, Ajarn Roy Kouwenberg, for contributing valuable advice and precious time to support this project. In addition, I would like to extend my appreciation to Ajarn Susheel Narula and Ajarn Worapong Janyangyuen for making me learn and understand more in valuation for both relative valuation and discounted cash flow valuation which effectively drive me to complete my thematic paper. I would not have achieved this far and this thematic paper would not have been completed without all the support

Moreover, I would like to thank my friend Mr. Vishal Singh for his efforts, knowledge sharing, and information gathering from many sources. Also, I am really appreciative of his guidance and friendly advice during the project.

Finally, my graduation would not be achieved without the best support from my beloved parents, relatives, and friends who help me with everything and always give me the greatest love and encouragement.

Han Htike Soe

RELATIVE VALUATION OF MAJOR CINEPLEX GROUP PUBLIC COMPANY

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M.M. (CORPORATE FINANCE)

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ABSTRACT

This thematic paper applied the multiple valuation models in order to value Major Cineplex Group Public Company (MAJOR) stock prices. Valuation multiples are the quickest way to value a company, and are useful in comparing similar companies (comparable company analysis). They attempt to capture many of a firm's operating and financial characteristics in a single number that can be multiplied by some financial metric to yield an enterprise or equity value. For this report, there will be P/E, P/BV, and EV/EBITDA relative valuation methods to express the value of the company's stock price. As a result the Major Cineplex target price from using 5-year historical P/E multiple median method is the target price at \$0.34 per share with upside potential 34% compared to the current price of \$0.26 per share therefore we recommend BUY.

KEY WORDS: Major Cineplex/ Valuation/ Relative Valuation/ Business strategy

63 pages

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LIST OF ABBREVIATIONS

ATP	Average Ticket Price
ARPU	Average Revenue Per User
BOT	Bank of Thailand
CAGR	Compound Annual Growth Rate
CGX	Cineplex Inc.
CLMV	Cambodia, Laos, Myanmar, Vietnam
COVID-19	Coronavirus Disease 2019
CJ-CGV	CJ CGV Co. Ltd.
DVD	Digital Versatile Disc
ESG	Environmental, Social & Governance
EPS	Earnings Per Share
EV/EBITDA	Enterprise Value-to-Earnings Before Interest, Taxes, Depreciation, and Amortization Ratio
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
MAJOR	Major Cineplex
OTT	Over-the-Top
P/BV	Price-to-Book Value Ratio
P/E	Price-to-Earnings Ratio
PwC	PricewaterhouseCoopers
PVR	PVR INOX Limited
ROE	Return on Equity
SET	Stock Exchange of Thailand
SF	SF Cinema

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. 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 centre rather than just a movie theatre. 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.

In the following chapters of this report, we will begin with a detailed business description and overview, outlining Major Cineplex's operations and business strategy. followed by an analysis of the macroeconomic and industry outlook to understand the external factors influencing the company. Next, we will perform a competitive analysis to benchmark Major Cineplex against its peers. The relative valuation will be conducted using key valuation multiples including P/E ratio, P/BV ratio, and EV/EBITDA multiple. We will also assess various risks associated with the company and its market environment. The report will conclude with a synthesis of the findings and provide actionable insights based on the valuation results.

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 analyse 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

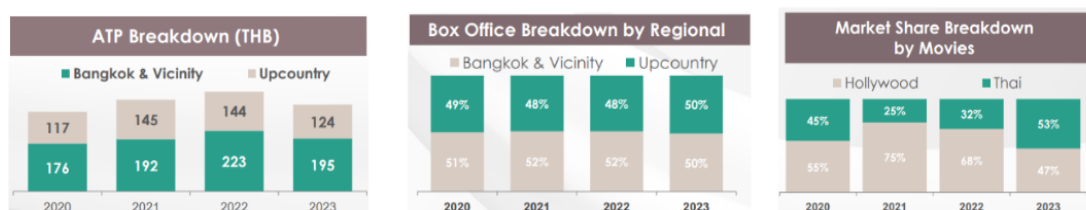
Major Cineplex offers a diverse range of entertainment activities to customers, making it a one-stop solution for customers. The major part of the product portfolio consists of movie theatres, ice skating, bowling, and karaoke and also provides a snacking corner to the customers in the form of popcorn 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.

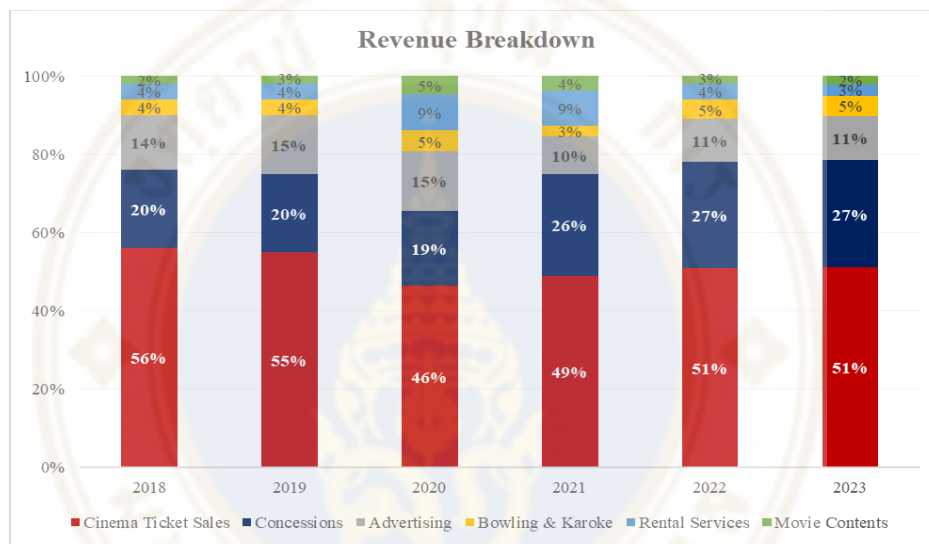
Figure 2.1 ATP, Box Office Revenue, Market Share Breakdown by Region

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

Figure 2.2 Revenue Structure by Product Lines



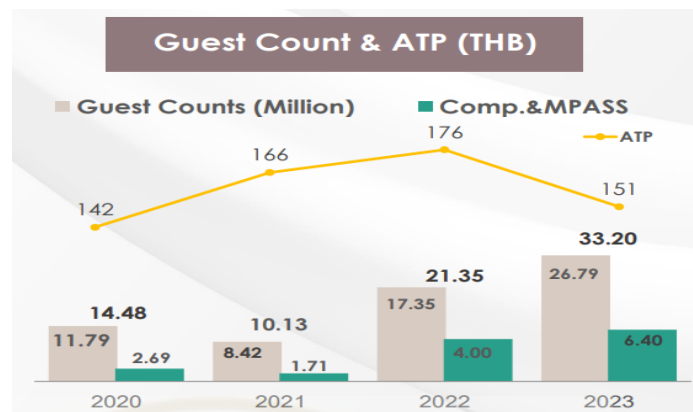
Source: MAJOR's Annual Report, 2024

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. 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.

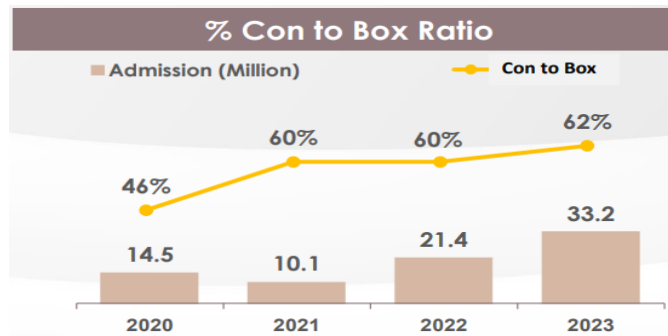
Figure 2.3 Guest Count and Average Ticket Price from 2020-2023



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 THB spent on movie ticket sales, customers are spending another 62 THB 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

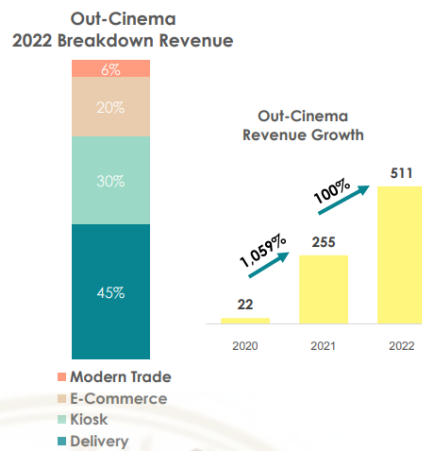


Source: MAJOR's Annual Report, 2024

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 Ad hoc 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 epicentre 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.

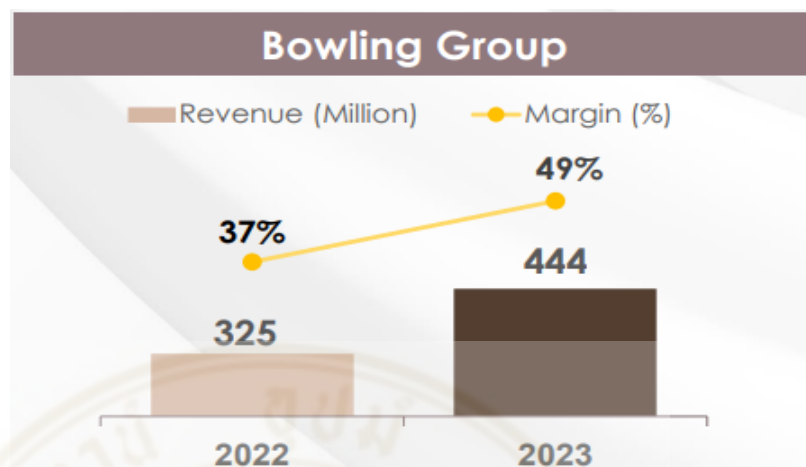
Figure 2.6 Revenue Contribution by Service Lines



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 was 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 are 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 Theatre 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.

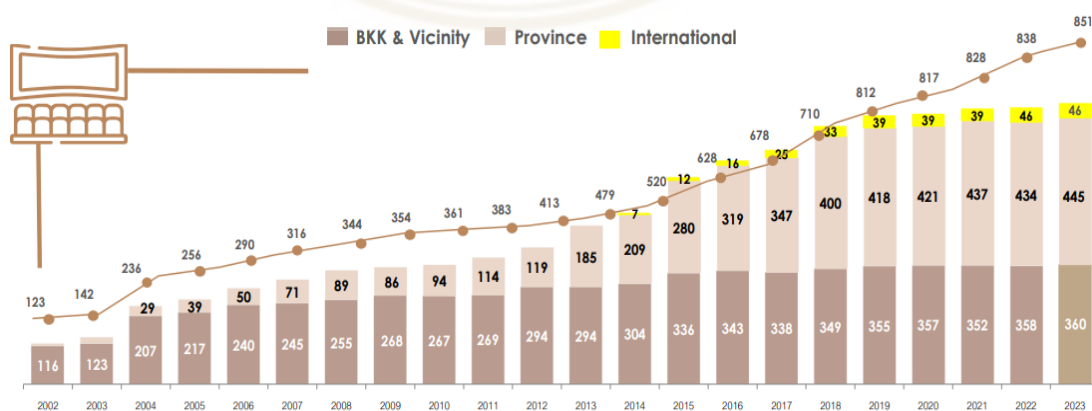
There are four main types of theatres that Major Cineplex currently has deployed: IMAX theatre, 4D, X theatre, screen X theatre, etc. The latest addition to the Types of theatres deployed is the kid's cinema, targeting. The kids and the user experience have been enhanced in such a way that families can 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 Revenue 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 THB. 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 the 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 a 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.

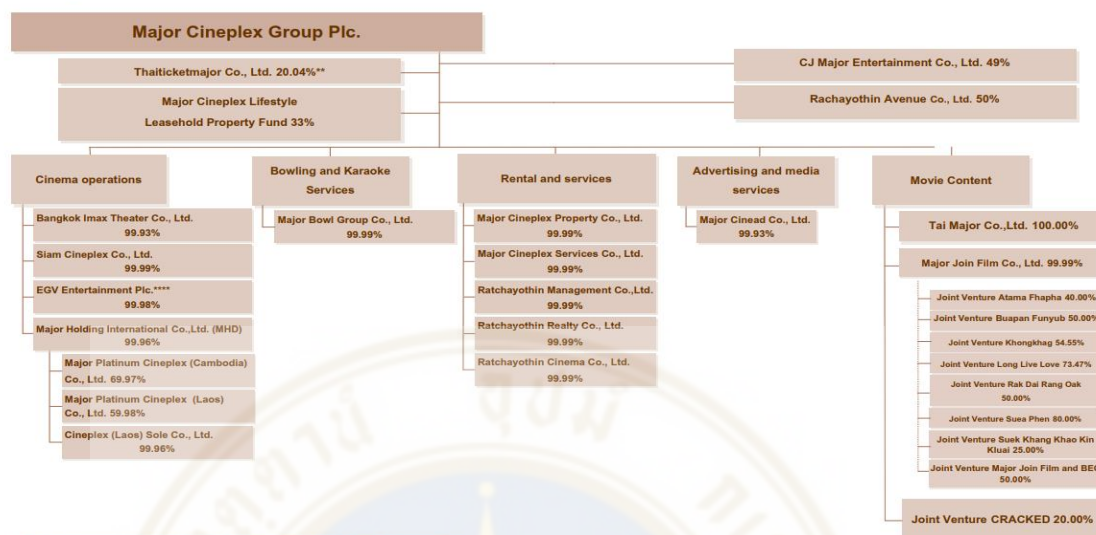
A significant portion of tickets sold by Major Cineplex are purchased through their app or at the counters, which helps them maintain their profit margins. In contrast, markets like India have seen the emergence of intermediary companies such as Bookshop, which act as middlemen for ticket bookings. The 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 Theatre 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.

Figure 2.10 Business Portfolio Structure of MAJOR**Group Structure**

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
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 Poolvaraluck, 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 Assawaruengannun	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).

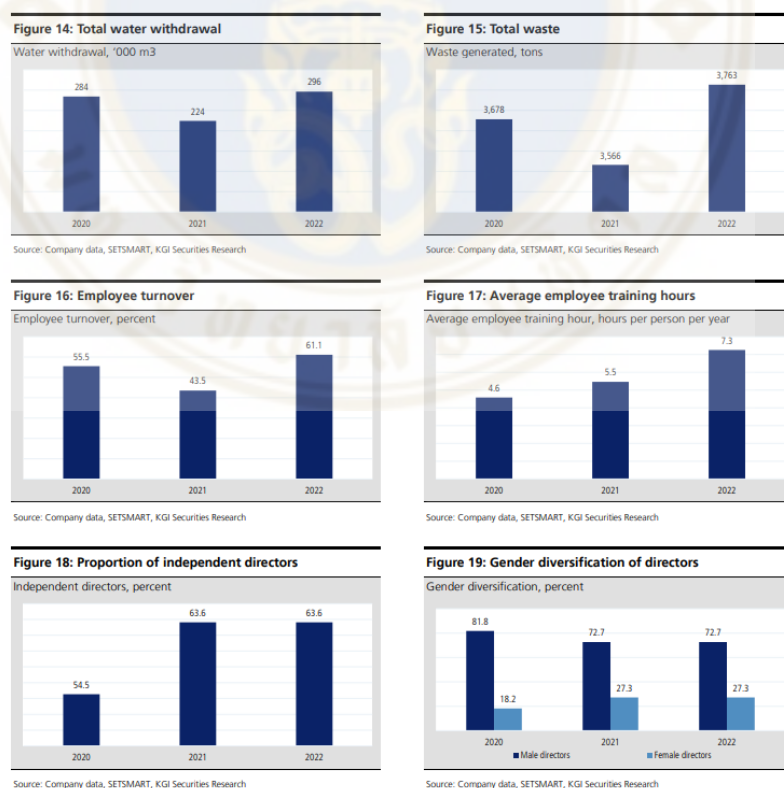
To support this commitment, Major Cineplex Group has established a Supplier Code of Conduct that outlines standards for sustainable business development and provides operational guidelines for trading partners. The company is dedicated to ethical, fair, and transparent business operations, prioritizing 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 2.11 MAJOR's ESG data from 2020-22



Source: MAJOR's Annual Report ,2022

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

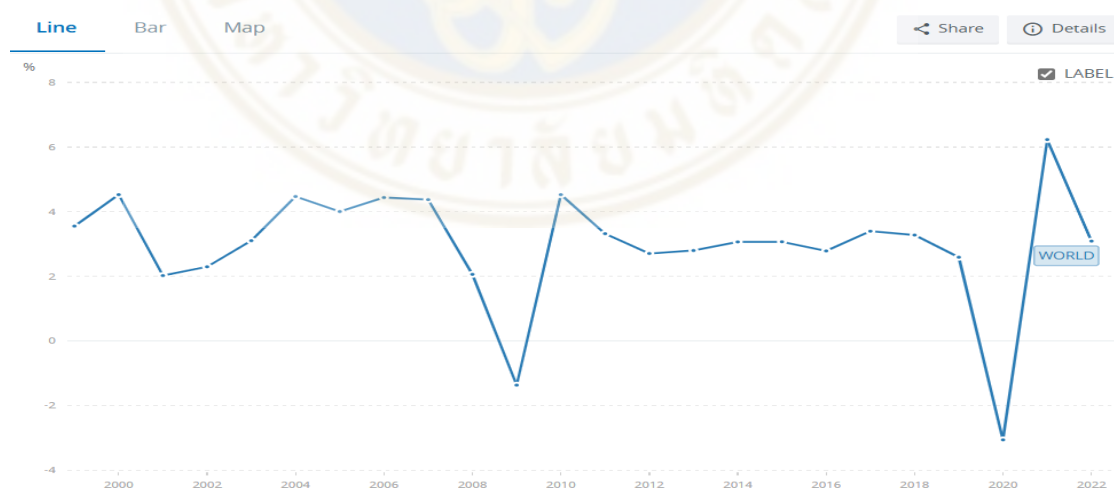
Percentage Per Year	2023*	2024	2025
GDP Growth	1.9	2.6	3.0

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 from 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.

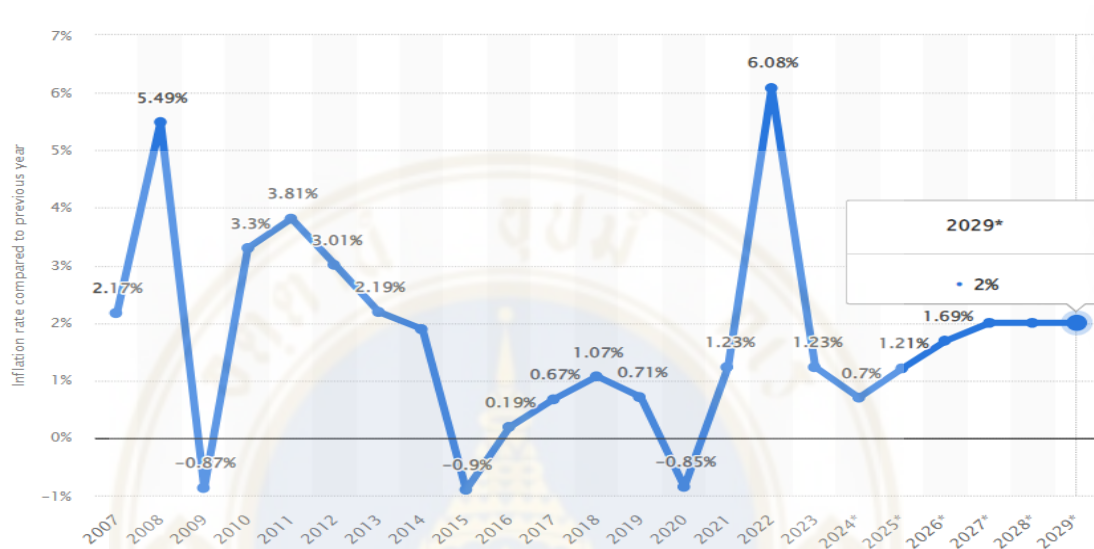
Figure 3.1 Global Historical GDP Growth Rate



Source: World Bank, 2024

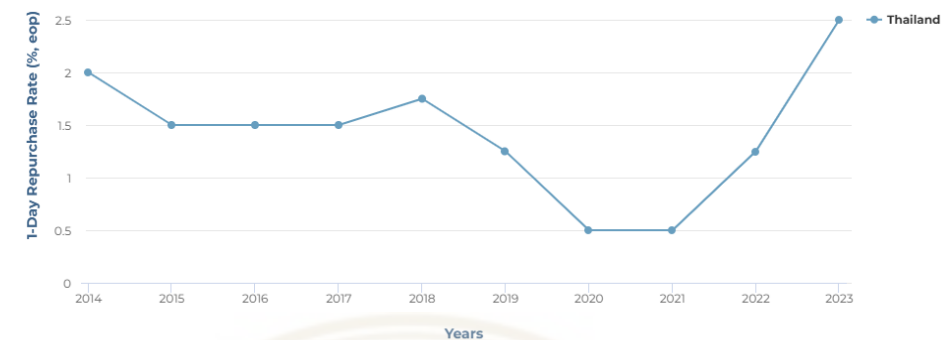
3.1.2 Inflation rate, Interest rate and Unemployment Rate

Figure 3.2 Thailand Historical and Forecasted Inflation Rate



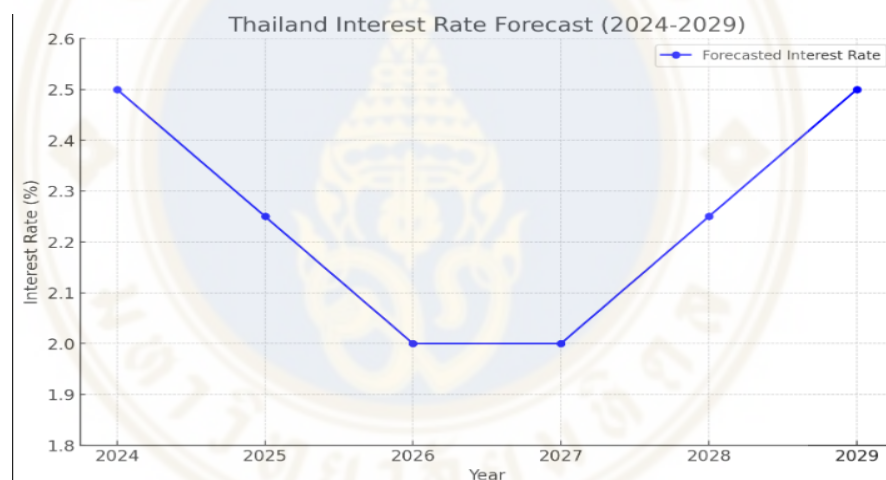
Source: Trading Economics, 2024

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.

Figure 3.3 Thailand Historical Interest Rate

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

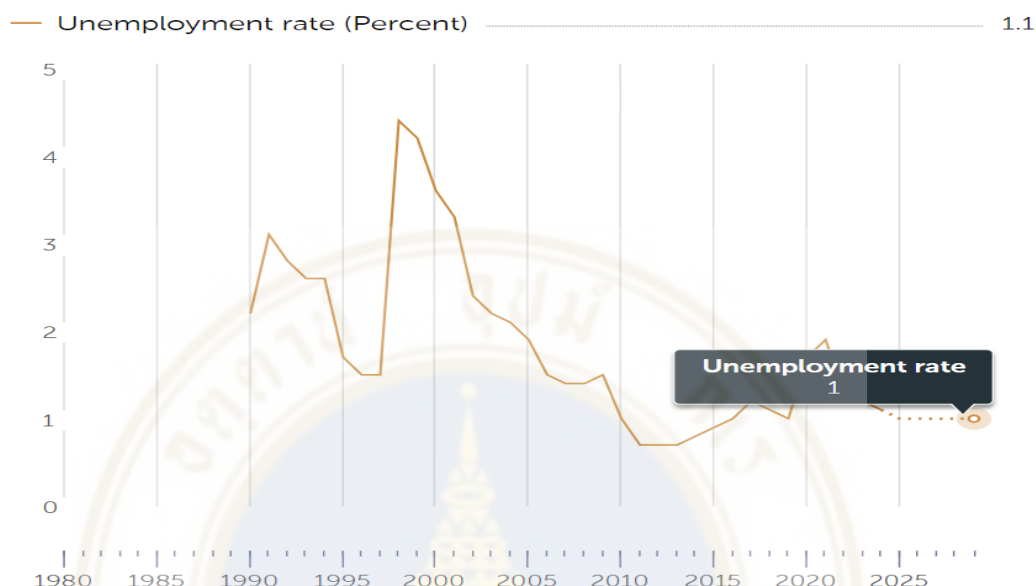
Source: Bank of Thailand, 2024

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: Trading Economics, 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 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 analyse 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 under screened 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 movies showing to be 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 for 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).

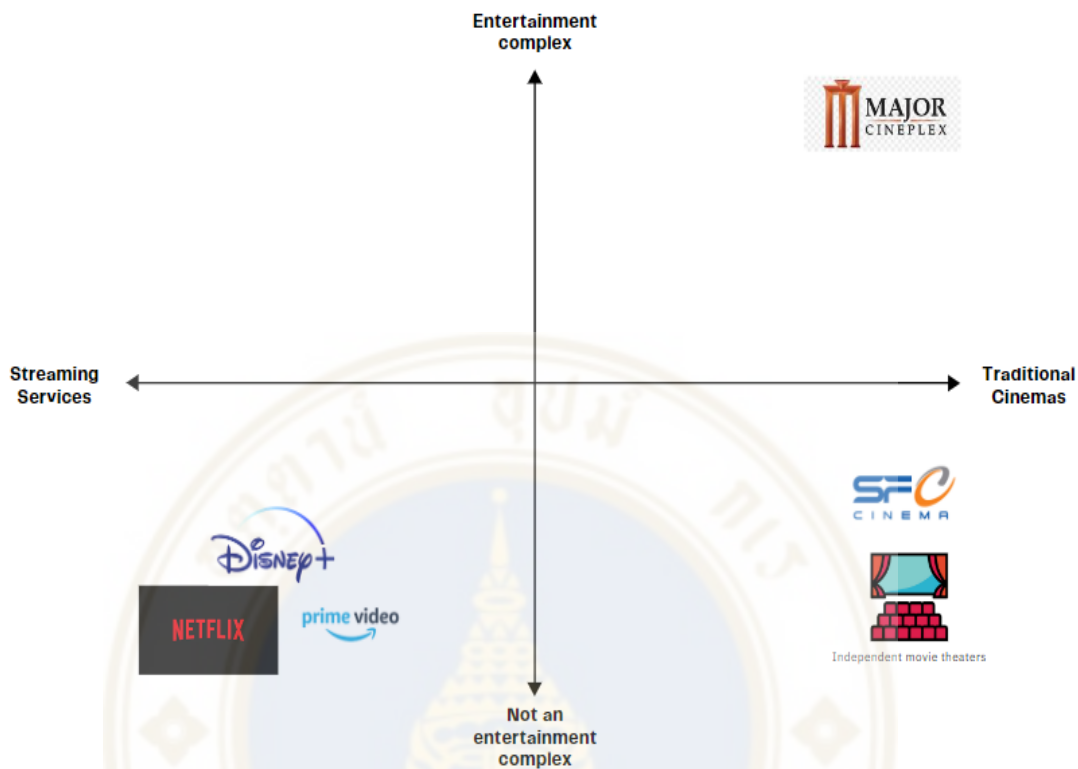
3.3 Competition Analysis

This section focuses on evaluating the competitive landscape in which Major Cineplex operates. We will identify key competitors, and analyse 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 their 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: Statistia, 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

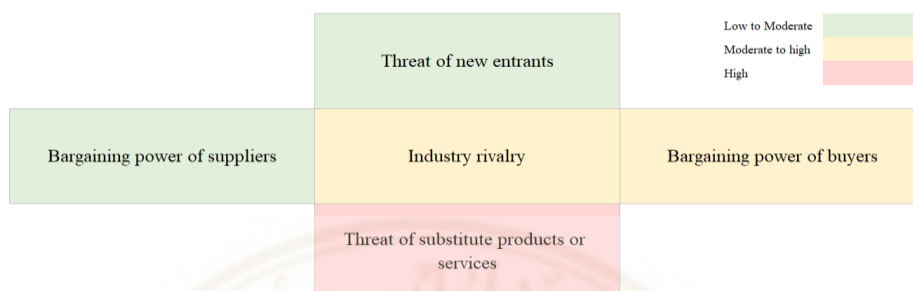
1. **Expansion in Southeast Asia:** There is potential for growth in neighbouring countries with emerging entertainment markets.
2. **Diversification of Offerings:** Expanding into new areas such as virtual reality experiences, gaming arenas, or themed entertainment centres.
3. **Digital Transformation:** 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 3.7 Porter's Five Forces Analysis of MAJOR



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.

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.

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.

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.

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 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.

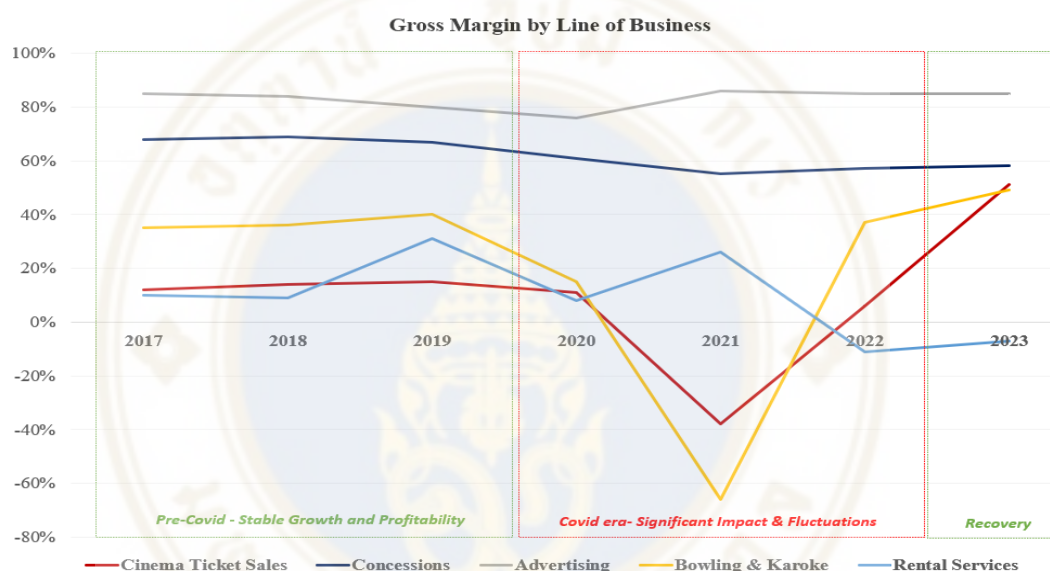


CHAPTER IV

FINANCIAL ANALYSIS AND 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 (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

Figure 4.2 MAJOR's Income Statement from 2016-2023

Fiscal year ends Dec 31	2023	2022	2021	2020	2019	2018	2017	2016
Revenue Growth YoY ⓘ	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 ⓘ	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 ⓘ	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 ⓘ	2.00B	1.70B	262.44M	358.13M	2.77B	2.43B	2.15B	2.10B
Margin Analysis								
Gross Margin % ⓘ	33.53%	27.81%	5.02%	15.97%	35.97%	34.69%	33.59%	36.19%
Operating Expenses % ⓘ	19.06%	18.97%	-53.46%	47.78%	23.41%	17.81%	15.57%	18.03%
Operating Income % ⓘ	14.48%	8.84%	58.48%	-31.81%	12.56%	16.89%	18.02%	18.16%
Net Profit % ⓘ	12.44%	4.21%	51.14%	-14.35%	13.41%	13.06%	13.35%	13.80%

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

Annual Quarterly

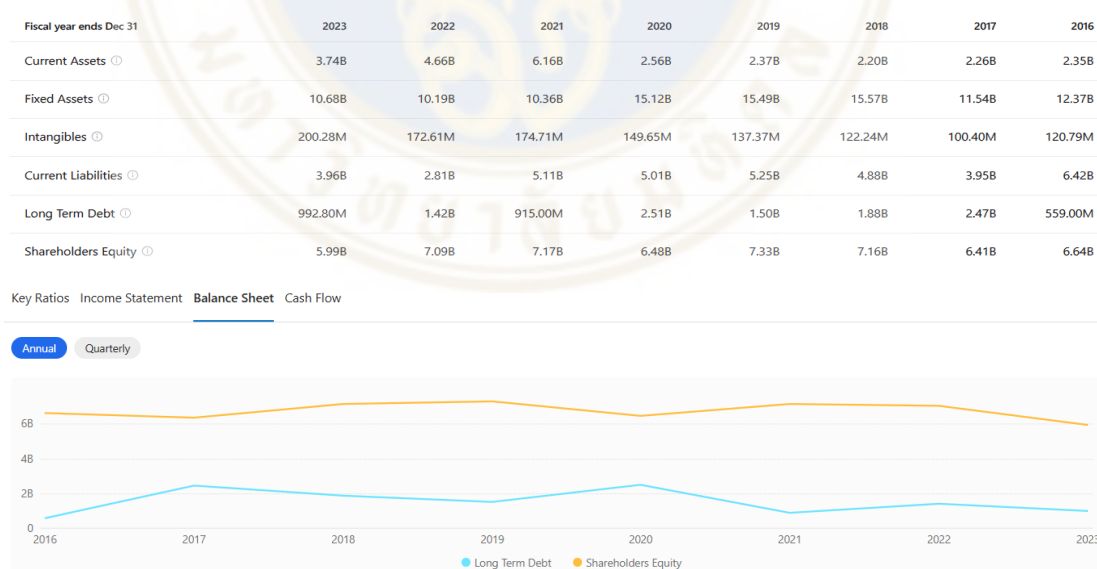
Year	Revenue	Operating Expense	Operating Income
2016	8.75B	5.58B	3.16B
2017	8.97B	5.96B	3.01B
2018	9.95B	6.50B	3.45B
2019	10.70B	6.85B	3.85B
2020	3.77B	3.16B	-1.20B
2021	3.01B	2.86B	1.76B
2022	6.39B	4.61B	564.76M
2023	8.55B	5.68B	1.24B

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

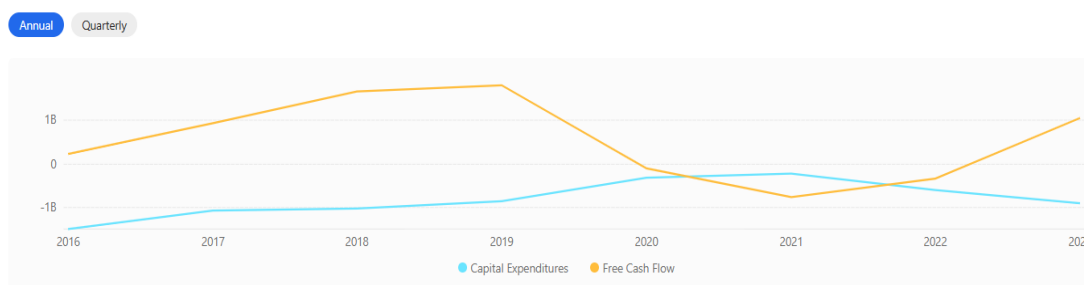


Source: Microsoft Finance, 2024

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

Fiscal year ends Dec 31	2023	2022	2021	2020	2019	2018	2017	2016
Operating Cash Flow ①	1.95B	260.42M	-543.12M	202.43M	2.66B	2.69B	1.98B	1.72B
Investing Cash Flow ①	-348.09M	728.27M	4.27B	-281.89M	-946.50M	-732.69M	-285.30M	-1.03B
Financing Cash Flow ①	-1.96B	-1.83B	-3.27B	670.62M	-1.34B	-1.93B	-1.65B	-476.13M
Ending Cash Position ①	811.77M	1.17B	2.01B	1.56B	961.74M	596.32M	573.03M	530.87M
Capital Expenditures ①	-912.35M	-607.66M	-216.83M	-316.02M	-855.68M	-1.02B	-1.06B	-1.49B
Free Cash Flow ①	1.04B	-347.24M	-759.96M	-113.59M	1.80B	1.67B	919.29M	226.50M



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 -\$1.03B in 2016. A dramatic inflow of \$4.27B 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 -\$348.09M in 2023.

Financing cash flow experienced significant outflows, particularly notable in 2021 with -\$3.27B, reflecting debt repayments and financing adjustments. Due to strategic borrowing during the pandemic, the financing cash flow turned positive in 2020 at \$670.62M but returned to substantial outflows of -\$1.96B in 2023. The ending cash position fluctuated accordingly, peaking at \$2.01B in 2021 before stabilizing at \$811.77M in 2023. Capital expenditures remained a significant cash outflow, consistently high from 2016 to 2019, peaking at -\$1.49B in 2016, then reducing to -\$216.83M in 2021, reflecting adjustments in investment strategies. Free cash flow mirrored these trends, with significant positive values in pre-pandemic years, peaking at \$1.80B in 2019, turning negative during the pandemic, and recovering to \$1.04B in 2023.

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

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



Source: Microsoft Finance, 2024

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.

Figure 4.6 Comparison of MAJOR financial performance with Peer Groups**^ 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

^ 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%

Source: Yahoo Finance, 2024

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

Profitability	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 peer.

4.2 Relative Valuation

4.2.1 Historical Multiple Bands

Table 4.3 Trailing multiples and Multiple bands of MAJOR

MAJOR	P/E	P/BV	EV/EBITDA
Trailing	9.0	1.6	4.6
Mean	16.5	2.4	7.7
Median	11.4	2.5	7.8
% undervalued by	-22%	-38%	-41%
SD	17.8	0.6	0.2
Median +1 SD	29.2	3.1	8.0
Median -1 SD	-6.4	1.9	7.6
Median +2 SD	47.0	3.6	8.2
Median -2 SD	-24.2	1.4	7.4

Source: SET Thailand, July 2024

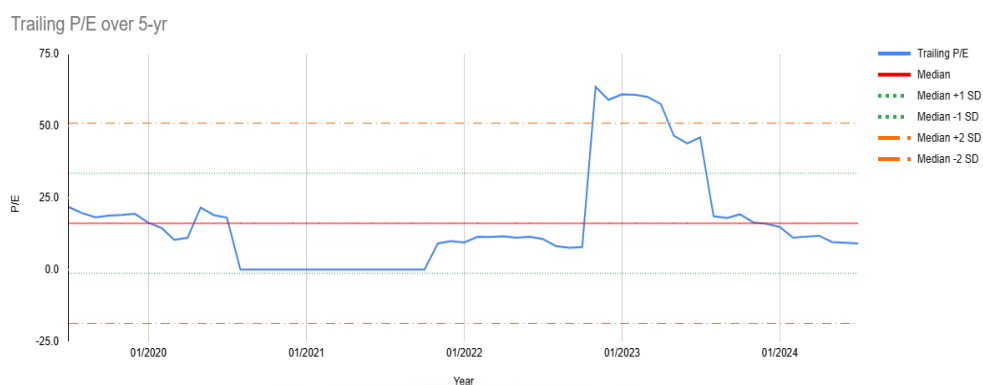
Table 4.4 Historical monthly multiples data of MAJOR

Date	Close (THB)	P/E	P/BV	EV/EBITDA
07/2019	29.3	21.7	3.9	11.5
08/2019	25.8	19.6	3.5	11.7
09/2019	23.9	18.2	3.3	11.9
10/2019	24.6	18.7	3.3	12.8
11/2019	24.7	19.0	3.6	12.2
12/2019	25.3	19.4	3.6	7.6
01/2020	21.2	16.3	3.1	8.5
02/2020	18.9	14.5	2.6	9.7
03/2020	13.5	10.3	1.9	10.0
04/2020	14.5	11.1	2.0	10.4
05/2020	17.1	21.6	2.2	10.5
06/2020	15.0	18.9	1.9	9.8
07/2020	14.3	18.0	1.8	10.1

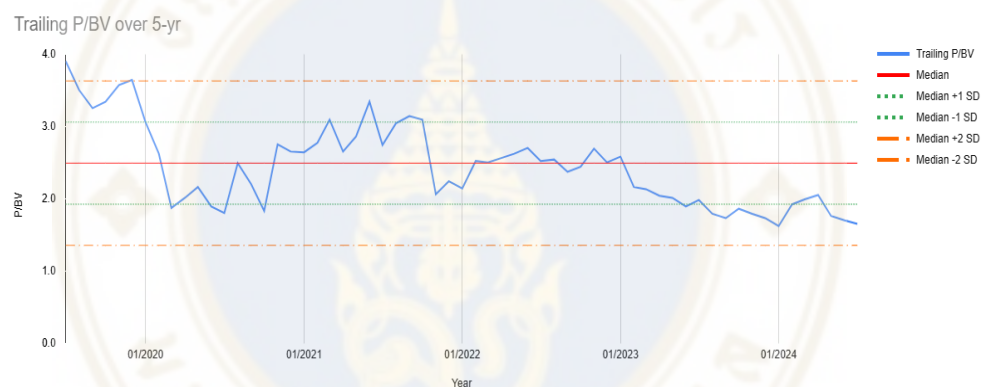
08/2020	17.5	-	2.5	9.3
09/2020	15.5	-	2.2	8.8
10/2020	12.9	-	1.8	9.2
11/2020	19.0	-	2.8	8.5
12/2020	18.3	-	2.7	7.4
01/2021	18.2	-	2.6	6.8
02/2021	20.1	-	2.8	6.4
03/2021	22.4	-	3.1	6.9
04/2021	19.2	-	2.7	7.6
05/2021	20.4	-	2.9	7.8
06/2021	23.8	-	3.3	7.4
07/2021	19.5	-	2.7	7.2
08/2021	20.9	-	3.0	6.0
09/2021	21.6	-	3.1	4.8
10/2021	21.3	-	3.1	4.8
11/2021	18.4	9.1	2.1	5.2
12/2021	20.0	9.9	2.2	5.5
01/2022	19.1	9.5	2.1	5.0
02/2022	20.2	11.4	2.5	4.8
03/2022	20.0	11.3	2.5	4.4
04/2022	20.5	11.6	2.6	9.6
05/2022	21.4	11.1	2.6	9.9
06/2022	22.0	11.4	2.7	10.6
07/2022	20.6	10.7	2.5	9.7
08/2022	19.0	8.2	2.5	10.2
09/2022	17.7	7.6	2.4	9.1
10/2022	18.2	7.9	2.4	8.0
11/2022	19.6	63.5	2.7	7.8
12/2022	18.2	58.9	2.5	7.3
01/2023	18.8	60.9	2.6	7.7
02/2023	17.1	60.7	2.2	8.1
03/2023	16.9	60.0	2.1	7.9

04/2023	16.2	57.5	2.0	9.0
05/2023	15.5	46.5	2.0	9.7
06/2023	14.6	43.8	1.9	9.8
07/2023	15.3	45.9	2.0	7.2
08/2023	14.5	18.6	1.8	6.8
09/2023	14.0	17.9	1.7	6.8
10/2023	15.2	19.2	1.9	6.9
11/2023	15.2	16.4	1.8	7.0
12/2023	14.9	15.9	1.7	6.7
01/2024	14.0	14.8	1.6	6.1
02/2024	13.9	11.1	1.9	6.5
03/2024	14.4	11.5	2.0	5.8
04/2024	14.8	11.8	2.1	5.6
05/2024	12.9	9.6	1.8	5.0
06/2024	12.5	9.3	1.7	4.7
07/2024	12.2	9.0	1.6	4.6

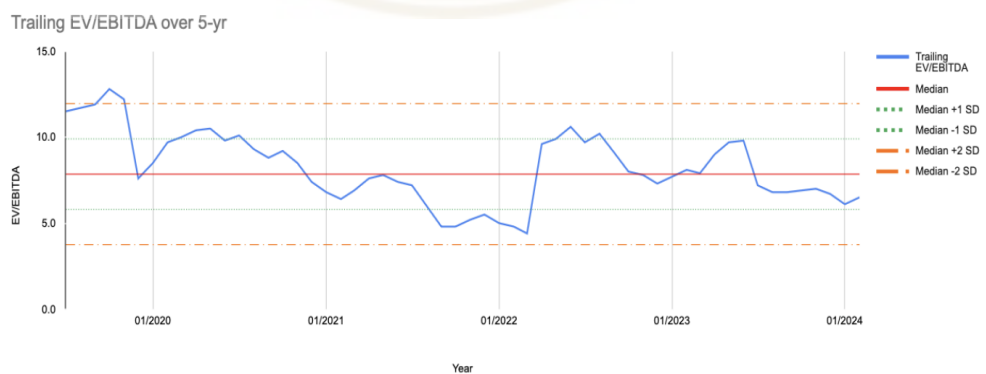
Source: SET Thailand, July 2024

Figure 4.7 Trailing P/E Band of MAJOR

Source: SET SMART, 2024

Figure 4.8 Trailing P/BV Band of MAJOR

Source: SET SMART, 2024

Figure 4.9 Trailing EV/EBITDA Band of MAJOR

Source: SET SMART, 2024

When evaluating Major's stock, we chose the median as a baseline for valuation multiples instead of the mean because the mean can be distorted by extreme values. In 2022 and 2023, the P/E ratios were unusually high due to low earnings from the COVID-19 era, which skews the average. The median, which is the middle value when data is sorted, provides a better representation of the typical P/E ratio because it is less affected by these extreme high values. This makes the median a more accurate and stable benchmark for evaluating the P/E ratio over time. Median historical multiples for P/E ratio indicate that the current trailing multiple for FY0 9.0 is below the 5-year median of 11.4 undervalued by 22%. P/BV ratio is 1.6, slightly below the median of 2.5 undervalued by 38%. Similarly, the EV/EBITDA ratio of 4.6 is lower than the median of 7.8 undervalued by 41%.

4.2.2 Peer Group Multiples

We chose PVR INOX LIMITED (India), Cineplex Inc. (Canada), and CJ CGV (South Korea) since they operate in the same cinema exhibition industry as MAJOR which makes them direct peers and as they represent key players in their respective regions. Comparing Major Cineplex with companies from different geographical markets allows us a broader perspective on industry norms, valuation methodologies, and economic conditions affecting cinema businesses globally. However, we might take into account their financial metrics are non-comparable in terms of revenue sources, and cost structures according to different regions and market dynamics.

Table 4.5 Fundamentals comparison of MAJOR with Peer groups

<i>in USD (billions)</i>	MAJOR	PVR	CGX	CJ-CGV
Market Cap	0.29	1.73	0.39	0.67
Current stock price	0.26	16.75	6.50	4.11
ROE (%)	0.17	0.00	-3.55	-0.33
NP Margin (%)	0.13	-0.01	0.15	-0.06
Beta	0.90	0.64	2.75	1.53
Debt-Equity ratio	0.88	1.13	305.34	6.15
Dividend yield (%)	0.05	0.00	0.06	0.00
Historical EPS Growth (%)	1.13	-0.50	-0.07	0.10

Source: Yahoo Finance, 2024

According to the above fundamental analysis provided, MAJOR stands out with strong profitability and manageable debt levels. In contrast, PVR, CGX, and CJ-CGV face significant financial difficulties reflected in their negative ROE and profit margins. High debt levels in CGX and CJ-CGV likely contribute to their financial losses, suggesting a need for improved debt management and operational efficiency. The operating regions vary, impacting market conditions and financial performance. MAJOR's strong fundamentals, including high EPS growth and dividend yield, indicate a robust position compared to its peers.

Table 4.6 Comparison of MAJOR Valuation Multiples with Peers

<i>in USD (billions)</i>		MAJOR	PVR	CGX	CJ-CGV
Basic EPS	FY0	0.03	N/A	2.35	N/A
	FY1	0.02	0.41	0.39	N/A
BV per sh	FY0	0.17	8.55	0.07	1.87
	FY1	0.15	7.98	0.07	1.64
EV	FY0	0.33	2.66	1.67	2.02
EBITDA	FY0	0.07	0.24	0.20	0.26
	FY1	0.06	0.22	0.25	0.23
P/E ratio	Trailing	8.95	N/A	2.80	N/A
	Forward	11.00	40.90	16.84	N/A
P/BV	Trailing	1.55	1.96	87.46	2.20
	Forward	1.78	2.10	90.00	2.50
EV/EBITDA	Trailing	4.64	11.28	8.53	7.80
	Forward	5.50	12.30	6.80	8.70

Source: MAJOR, Yahoo Finance, 2024

Source: PEER, Alpha Spread, 2024

Table 4.7 Comparison of MAJOR Valuation Multiples with Peers Median

		MAJOR	Peers Median
P/E ratio	Trailing	8.95	N/A
	Forward	11.30	N/A
P/BV	Trailing	1.55	2.20
	Forward	1.78	2.50
EV/EBITDA	Trailing	4.64	8.53
	Forward	5.50	8.70

Source: Alpha Spread Website, July 2024

When comparing valuation metrics, we will focus on forward-looking perspectives more than historical ones. As most of our peers have negative P/E trailing multiples, we will exclude to compare P/E ratio of MAJOR and its peers. With P/BV multiple, the forward ratio of 1.8 is also lower than the peer median of 2.5, indicating potential undervaluation relative to its book value. The forward EV/EBITDA ratio of 5.5 for Major is also below the peer median of 8.7, suggesting it might be undervalued compared to its peers. This could be due to the differences in enterprise values (EV) among the companies.

Despite being in the same industry, the differences in growth rates and market conditions across these countries justify the varied valuation multiples. Peers' firms are operating in diverse markets like Canada, India, and Korea. These regions have varying economic growth rates and market dynamics, which can influence valuation metrics differently. Thus, while Major appears a little bit undervalued compared to its peers, these discrepancies can be attributed to the diverse economic environments in which it operates.

4.3 Sensitivity Analysis

Figure 4.10 Analyst Forecast of Relative Valuation Multiples for MAJOR FY0 and FY1



Detailed analysis

		Earnings per share (Baht)		Net Profit (Million Baht)		P/E (Times)		P/BV (Times)	
broker	analyst	2567F	2568F	2567F	2568F	2567F	2568F	2567F	2568F
	Average	0.96	1.12	834.77	956.37	14.47	12.45	1.85	1.76
	Median	0.95	1.07	842.32	931.38	14.32	12.59	1.87	1.79
	High	1.30	1.50	1,164.60	1,351.00	18.38	15.45	1.95	1.86
	Low	0.74	0.88	612.00	728.00	10.46	9.07	1.73	1.61

Source: SET Trade, 2024

Table 4.8 Sensitivity Analysis of Stock Price with different EPS and P/E ratio

Price(\$)		EPS (in USD)								
		0.01	0.02	0.03	0.04	0.05	0.06	0.07	0.08	0.09
	9.4	0.09	0.19	0.28	0.38	0.47	0.56	0.66	0.75	0.85
	11.4	0.11	0.23	0.34	0.46	0.57	0.68	0.80	0.91	1.03
	11.9	0.12	0.24	0.36	0.48	0.60	0.71	0.83	0.95	1.07
	13.7	0.14	0.27	0.41	0.55	0.69	0.82	0.96	1.10	1.23
	15.5	0.16	0.31	0.47	0.62	0.78	0.93	1.09	1.24	1.40
	17.3	0.17	0.35	0.52	0.69	0.87	1.04	1.21	1.38	1.56
	19.1	0.19	0.38	0.57	0.76	0.96	1.15	1.34	1.53	1.72
	20.9	0.21	0.42	0.63	0.84	1.05	1.25	1.46	1.67	1.88
	22.7	0.23	0.45	0.68	0.91	1.14	1.36	1.59	1.82	2.04

	\$	Baht	Undervalued by
Max	0.76	28	194%
Min	0.23	8	-12%

We conducted sensitivity analysis and explore how changes in the Price per Earning ratio (P/E) and Earnings per outstanding share (EPS) can impact the stock price (equity value). This analysis is based on SET trade data for FY0, where the average analyst forecast for MAJOR's earnings per share (EPS) ranges from 0.74 to 1.3 THB, which converts to approximately 0.02 to 0.04 USD with P/E ratio ranging from 10.46 to 18.38. We will focus on this range for our sensitivity analysis. This forecast is credible as it reflects the consensus among analysts, suggesting that the EPS figures within this range are reasonable and accurate.

Currently, the stock price is \$0.34, with a fair valuation by a historical 5-year median value of P/E 11.4 and a current EPS of 0.03 with 875 million shares outstanding. To understand the potential variations in the stock price, we focus on an analyst forecast P/E and EPS range. Within these ranges:

- The maximum stock price can be \$0.76 or 28 THB
- The minimum stock price can be \$0.23 or 8 THB

This analysis helps to see how changes in P/E multiple and various ranges of EPS can impact the firm's share price within the equity market.

4.4 Valuation Recommendation

Table 4.9 FY-0 financial data of MAJOR

<i>in USD (billions)</i>	MAJOR
Basic EPS	0.03
BV per sh	0.17
EV	0.33
EBITDA	0.07

Source: Yahoo Finance, July 2024

Table 4.10 Relative Valuation of MAJOR with 5-year Historical multiples median and FY0 data

MAJOR	P/E	P/BV	EV/EBITDA
Median	11.41	2.49	7.80
EV			0.55
Current Price	0.26	0.26	0.26
Target Price	0.34	0.42	0.54
Upside/Downside	32%	61%	108%

We apply multiple valuation methods using both its own historical 5-yr median method and the forward multiples median of its peer to compare with the current value of the MAJOR's stock price. Based on a 5-year historical median, Major Cineplex shows promising valuation potential. The current price of MAJOR is \$0.26. Using its historical median P/E, P/BV, and EV/EBITDA ratios, the target prices are \$0.34, \$0.42, and \$0.54, respectively. This suggests potential upsides of 34% with P/E, 61% with P/BV, and 108% with EV/EBITDA.

Table 4.11 Relative Valuation of MAJOR with Peers Forward multiples median and FY0 data

Peers	P/E	P/BV	EV/EBITDA
Forward median	N/A	2.50	8.70
EV			0.62
Current price	0.26	0.26	0.26
Target Price	N/A	0.42	0.61
Upside/Downside		61%	135%

Comparatively, we will value using peer-forward median ratios. However, it is important to note that since two out of three peers have shown negative P/E multiples over the past years, we will not use P/E multiple in our peers forward multiple median method. The target prices show \$0.42 with P/BV and \$0.61 with EV/EBITDA.,

indicating significant potential upsides of 61%, and 135%, respectively. This peer analysis suggests that MAJOR is undervalued relative to its industry peers.

In summary using both methods, its own historical multiple median and peer forward multiple median methods except P/E ratio indicate significant potential for price appreciation, making Major an attractive investment opportunity at its current price of \$0.26. Based on the valuation analysis, we would suggest a “buy” recommendation for Major Cineplex stock.



CHAPTER V

RISKS

5.1 Key Risks and Challenges

5.1.1 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.

5.1.2 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.

5.1.3 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.

5.1.4 Risk from changing demographics in Thailand

Thailand is expected to have unfavourable demographics in the coming years as we are slowly shifting towards an aging 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 more aging population. The older population has a different way of entertaining themselves and this changes with the age segment that they belong.

5.1.5 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.

5.1.6 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

CONCLUSIONS

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 \$0.26 per share, Major Cineplex is a very attractive investment. Both valuation methods by its own 5-year historical multiples median and Peers forward multiples except P/E median shows that Major Cineplex offers significant price appreciation potential, making it an attractive investment at its current price of \$0.26. 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 \$0.26 per share to be a compelling starting point, and our relative valuation 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. In conclusion, I believe Major Cineplex is still a great investment.

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