

# MAJOR CINEPLEX GROUP PLC

No. 47/2020  
17 June 2020

## CORPORATES

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
Senior unsecured	A
<b>Outlook:</b>	Negative

**Last Review Date:** 26/12/19

### Company Rating History:

Date	Rating	Outlook/Alert
08/12/16	A	Stable
25/03/09	A-	Stable

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## RATIONALE

TRIS Rating affirms the company rating and senior unsecured debenture ratings on Major Cineplex Group PLC (MAJOR) at “A”, and revises downward the rating outlook to “negative” from “stable”. The “negative” outlook reflects TRIS Rating’s concern over the recovery prospects of MAJOR’s operating performance after the reopening of its cinemas under various social-distancing measures, and the weaker-than-expected profitability of MAJOR in the first quarter of 2020.

We project MAJOR’s revenue to decline by up to 60% year-on-year (y-o-y) in 2020, before significantly recovering in 2021 to a level 20% below its 2019 figure. The social-distancing measures require the reduction of MAJOR’s capacity by 75% once its cinemas reopen after the two-month closure. Meanwhile, concerns over the risk of COVID-19 infection in theaters could also dampen the appetite of moviegoers. Added to this, with new COVID-19 cases still on the rise globally after months of lockdown, there is a risk that Hollywood film studios might delay the launch of some blockbuster films, which would affect MAJOR’s revenue prospects even if the pandemic situation in Thailand has been largely contained. The Hollywood film studios currently plan to start releasing their blockbuster films in cinemas from 1 July 2020.

The movie exhibition industry has been hit hard by the pandemic since the outbreak began at the beginning of the year. All cinemas in Thailand were shut down from 18 March to 31 May 2020 in an attempt to contain the spread of the virus. The authorities allowed movie exhibitors to reopen their theaters on 1 June 2020 but with the requirement that they adopt various social-distancing measures.

In the first three months of 2020 (3M/2020), MAJOR’s revenue dropped by 45% y-o-y to Bt1.3 billion. EBITDA margin declined to 20.8% compared to 34.0% in the same period of the previous year. Over the last few months, the company has implemented many cost-saving measures to minimize losses during the closure period and for the rest of the year. We expect to see significant cost savings starting in the second quarter results.

The ratings continue to reflect the company’s leading position in the Thai movie exhibition industry, the prime locations of its properties throughout the country, and the good performance of its advertising media segment. These strengths are partially offset by the exposure to uncontrollable factors, such as the number of films released, film popularity, and the increased competition from the proliferation of entertainment alternatives.

## RATING OUTLOOK

The “negative” outlook reflects our expectation of significant negative impacts of COVID-19 on MAJOR’s operating performance.

## RATING SENSITIVITIES

Future rating actions depend on how well the demand of moviegoers bounces back amid the ongoing pandemic, and how effective the cost-saving measures will be in minimizing operating losses in the quarters to come. The rating downside case may occur if we no longer believe a significant recovery in 2021 could be reasonably expected, or if the cost reductions are too small. On the

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other hand, the outlook could be revised to “stable” if the company is able to quickly revive its operating performance, leading us to expect its adjusted net debt to EBITDA ratio to fall below 3.5 times soon.

## COMPANY OVERVIEW

MAJOR is the largest movie exhibitor in Thailand, with a market share of approximately 70% in terms of first-week box office receipts. The company was founded in 1995 by Mr. Vicha Poolvaraluck, who currently owns 30% of the company’s outstanding shares. MAJOR’s five principal lines of business are cinema exhibition, bowling and karaoke, advertising media, space rental and services, and movie content. The cinema exhibition and advertising media segments are the key revenue contributors. In 3M/2019, the cinema exhibition segment contributed 69% of total revenue, while the advertising media segment made up 16%. The three remaining segments contributed the remainder.

## RELATED CRITERIA

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

### Major Cineplex Group PLC (MAJOR)

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
MAJOR210A: Bt500 million senior unsecured debentures due 2021	A
MAJOR229A: Bt1,000 million senior unsecured debentures due 2022	A
<b>Rating Outlook:</b>	Negative

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