

MAJOR CINEPLEX GROUP PLC

No. 240/2024
25 December 2024

CORPORATES

Company Rating:	A-
Issue Rating:	
Senior unsecured	A-
Outlook:	Stable

Last Review Date: 02/01/24

Company Rating History:

Date	Rating	Outlook/Alert
04/01/22	A-	Stable
17/06/20	A	Negative
08/12/16	A	Stable
25/03/09	A-	Stable

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RATIONALE

TRIS Rating affirms the company rating on Major Cineplex Group PLC (MAJOR) and the rating on MAJOR's senior unsecured debentures at "A-" with a "stable" outlook. The ratings reflect the company's leading position in the Thai movie exhibition industry, the prime locations of its properties throughout the country, and its unique position in the advertising media segment. However, the ratings are constrained by MAJOR's susceptibility to several uncontrollable factors, such as the number of films released, film popularity, and increased competition from alternative forms of entertainment.

KEY RATING CONSIDERATIONS

Operating performance to gradually improve

MAJOR experienced a 4% year-on-year (y-o-y) decline in operating revenue, reaching THB5.5 billion in the first nine months of 2024 (9M24). This decrease was primarily attributed to a softer Hollywood film slate, which was disrupted by the actor and writer's strike in 2023. However, the favorable performance of Thai films partially offset the weak Hollywood film performance.

Despite the release of a highly successful Thai movie in the fourth quarter, we project MAJOR's revenue to drop by 8% y-o-y to THB8.0 billion in 2024, due to a high base from multiple successful Thai film releases in the same period last year. Nevertheless, we anticipate a recovery in 2025-2027, with total revenue projected to increase to THB9.0-THB9.5 billion annually. This improvement is expected to be driven by a stronger Hollywood film slate from 2025 onwards and continued robust local movie releases, which should collectively enhance MAJOR's revenue streams.

MAJOR's effective cost control measures and flexible cost structure have played a crucial role in maintaining decent profitability. The company's EBITDA margin was approximately 33% in 9M24, and we expect the margin to remain stable at around 30%-32% from 2024 to 2027.

Advertising business to rebound in line with cinema attendance

In 9M24, MAJOR's advertising revenue dropped by 2% y-o-y. This slight decline was primarily due to cautious spending by advertisers amid economic uncertainties and a weaker film release schedule during this period. Going forward, with stronger film releases and increased cinema attendance expected, we anticipate a gradual improvement in advertising revenue. Notably, the highly successful release of "Tee Yod 2" in the fourth quarter of 2024 (4Q24) is projected to attract significant advertising demand. Consequently, we forecast advertising revenue growth of 2% in 2024, followed by 13% in 2025, and 3% in 2026 and 2027.

MAJOR's extensive nationwide network of theaters and high attendance numbers are expected to continue drawing advertisers. The company offers a variety of media platforms, allowing advertisers to leverage MAJOR's theaters for their campaigns or marketing events. The advertising media business remains a vital source of cash flow for MAJOR, contributing significantly to the company's bottom line while incurring minimal incremental costs. Before the COVID-19 pandemic, the advertising media segment accounted for approximately 50% of MAJOR's total EBITDA. In 9M24, this segment contributed around 23% of the company's EBITDA.

Market leader in Thai cinema exhibition

MAJOR is a clear leader in the movie exhibition industry in Thailand, with an estimated 70% share of first-week gross box office receipts. Its dominant market position confers significant leverage when negotiating with film distributors, studios, and suppliers. We expect the company to retain its top position through its continued expansion plan, targeting around 40 new screens annually, adding to its existing network of 860 screens as of September 2024.

Reliance on successful new films

MAJOR's financial performance is significantly influenced by the success of new film releases, particularly international titles. Historically, from 2015-2019, international films contributed over 80% of MAJOR's gross box office receipts. In 2023-2024, there was a resumption in the number of Hollywood film releases following a significant drop during the COVID-19 pandemic. However, their quantity and performance fell short of expectations due to the lingering impact of strikes involving writers and actors in 2023. We anticipate an improvement in Hollywood film releases and performance from 2025 onwards as film production resumes normalcy in 2024, which should support MAJOR's cinema performance and revenue improvement.

Recognizing the reliance on international film content, MAJOR has been actively pursuing strategies to expand its movie offerings through increased Thai film productions. The company has invested in producing around 10-20 movies a year, leveraging partnerships with other media and production companies. This effort has yielded significant success starting in 2023 with highly successful movies like "Tee Yod", a movie jointly invested by MAJOR and BEC World PLC, and "The Undertaker", a film by a local content producer. These positive results have reignited the Thai film industry and incentivized Thai studios to produce more films. In 2024, the highly successful sequel "Tee Yod 2", grossed more than THB800 million, coupled with other successful releases like "How to Make Millions Before Grandma Dies", "The Paradise of Thorns", "Pee Nak 4", and "My Boo". We view that if the success of MAJOR's film production efforts and the overall Thai film industry continues, these factors should support MAJOR's operating performance and business sustainability.

Threats from alternative entertainments and changing consumer behavior

Movie exhibitors face increasing competition from a variety of readily available entertainment options on the internet and mobile devices. The growing consumer familiarity and adoption of at-home media consumption through streaming platforms and social media have intensified this challenge. In response, MAJOR has continuously upgraded its theaters with high-quality digital screens, immersive sound systems, and comfortable seating arrangements. The company has also introduced innovative theater formats to differentiate itself from in-home viewing and enhance the overall quality of the movie-going experience. These strategic initiatives are aimed at attracting audiences back to cinemas and maintaining MAJOR's competitive edge in the evolving entertainment landscape.

Leverage to edge up slightly before gradually decreasing

MAJOR's financial leverage increased slightly in 9M24, with the debt to EBITDA ratio rising to 3.8 times from 3.5 times in 2023. This increase was primarily driven by the company's continued execution of its share repurchase program in 2024. Looking ahead, we project MAJOR's capital expenditures to reach around THB600 million per annum, while investments in film production and acquisition are expected to total approximately THB200 million per annum over the next three years. Additionally, we anticipate the company will repurchase the full amount of approximately THB1 billion under the ongoing share buyback program, which runs from 16 June 2024 to 15 January 2025. Consequently, we expect the debt to EBITDA ratio to edge up to 4.1 times in 2024, before gradually decreasing to around 3.7 times in 2025-2027 as EBITDA grows.

We assess MAJOR's liquidity as adequate over the next 12 months. As of September 2024, the company's sources of funds included cash on hand of THB430 million and undrawn credit facilities from commercial banks amounting to THB3.7 billion. Operating cash flow is projected to be around THB2 billion in 2025. On the other hand, the uses of funds over the next 12 months will include debt repayments of approximately THB950 million, expected capital expenditures and investments in movie production totaling THB800 million, and share buyback of approximately THB460 million.

We expect MAJOR to comply with the covenants on its debentures over the next 12 to 18 months. As of the end of September 2024, the debt (excluding lease liabilities) to equity ratio stood at 0.92 times, below the covenant ceiling of 1.5 times.

Debt structure

MAJOR had no priority debt as of September 2024.

BASE-CASE ASSUMPTIONS

TRIS Rating's assumptions for MAJOR's operations during 2024 to 2027 are as follows:

- Revenues to be around THB8.0 billion in 2024, before increasing to THB9.0-THB9.5 billion per annum in 2025-2027.
- Adjusted EBITDA margin to be around 30%-32% over the forecast period.
- Capital expenditures projected to be around THB600 million per annum and investment in film acquisition and production to be around THB200 million per annum in 2025-2027.

RATING OUTLOOK

The "stable" outlook reflects our expectation that MAJOR's operating results will continue to improve in line with our projections with increasing cinema admissions and acceptable financial leverage. We expect the company to maintain its strength in the movie exhibition industry.

RATING SENSITIVITIES

A rating downside may occur if MAJOR undertakes aggressive investments and/or its operating performance significantly deteriorates, leading to the adjusted net debt to EBITDA ratio approaching 5 times with no sign of improvement. Conversely, the ratings could be revised upward if MAJOR's operating performance and cash flow improve significantly, with its adjusted net debt to EBITDA ratio staying well below 3 times on a sustained basis.

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 33% 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 the first nine months of 2024, the cinema exhibition segment contributed 75% of total revenue, while the advertising media segment made up 13%. The three remaining segments contributed the remainder.

As of September 2024, MAJOR operated 186 cinemas, offering a total of 860 screens, comprising 814 cinema screens in Thailand and 46 screens abroad. The company currently has 11 branches which offer bowling and karaoke, operating 245 bowling lanes, 117 karaoke rooms, and four ice-skating rinks. MAJOR owns four stand-alone movie complexes, which offer commercial space for rent totaling 24,282 square meters. Other than its stand-alone complexes, the company has located its theaters adjacent to modern trade retail outlets and department stores. MAJOR uses several cinema brands to capture a broad range of customer groups.

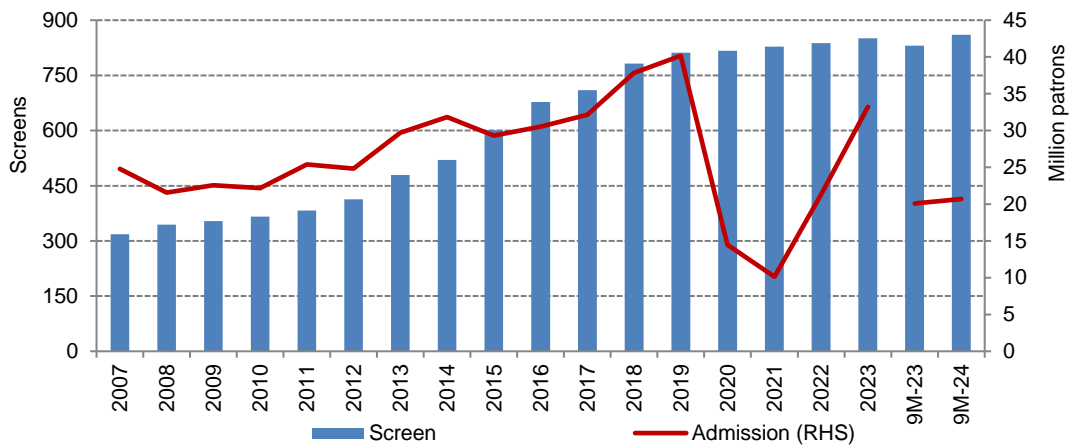
KEY OPERATING PERFORMANCE

Table 1: MAJOR's Sales Breakdown by Line of Business

Business Line	2019	2020	2021	2022	2023	Jan-Sep 2024
Cinema exhibition (including concessions)	74%	66%	75%	78%	79%	75%
Advertising media	15%	15%	10%	10%	11%	13%
Bowling & karaoke	4%	5%	2%	5%	5%	7%
Space rental and services	4%	9%	9%	4%	3%	4%
Movie content	3%	5%	4%	3%	2%	1%
Total	100%	100%	100%	100%	100%	100%

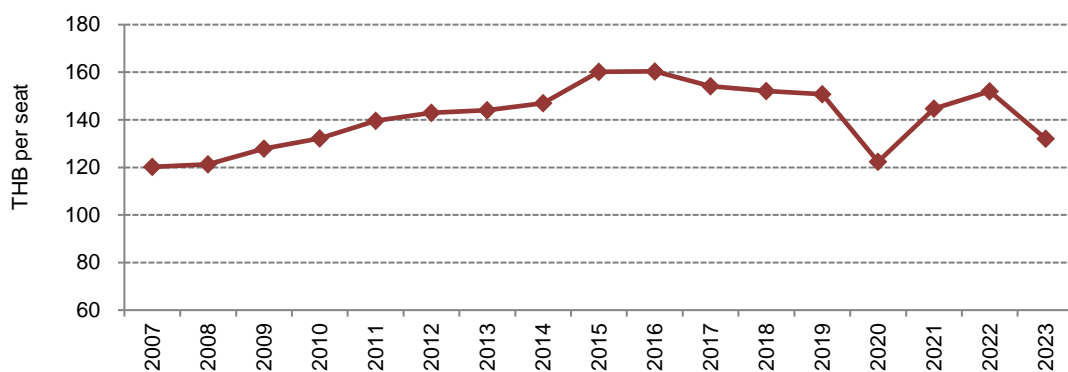
Source: MAJOR

Chart 1: MAJOR's Total Screens and Total Admission



Source: MAJOR

Chart 2: MAJOR's Average Ticket Price



Source: MAJOR

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	Jan-Sep 2024	-----Year Ended 31 December -----			
		2023	2022	2021	2020
Total operating revenues	5,543	8,609	6,553	3,340	3,920
Earnings before interest and taxes (EBIT)	770	1,234	513	(405)	55
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	1,845	2,604	2,049	1,006	976
Funds from operations (FFO)	1,450	1,996	1,497	(226)	456
Adjusted interest expense	395	518	511	570	507
Capital expenditures	587	912	608	217	316
Total assets	14,019	14,426	14,847	16,519	17,678
Adjusted debt	10,354	9,109	8,488	5,898	11,178
Adjusted equity	5,849	6,112	7,221	7,287	6,626
Adjusted Ratios					
EBITDA margin (%)	33.3	30.2	31.3	30.1	24.9
Pretax return on permanent capital (%)	7.7	7.5	3.0	(2.2)	0.3
EBITDA interest coverage (times)	4.7	5.0	4.0	1.8	1.9
Debt to EBITDA (times)	3.8	3.5	4.1	5.9	11.5
FFO to debt (%)	20.4	21.9	17.6	(3.8)	4.1
Debt to capitalization (%)	63.9	59.8	54.0	44.7	62.8

RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

Major Cineplex Group PLC (MAJOR)

Company Rating:	A-
Issue Rating:	
MAJOR279A: THB1,000 million senior unsecured debentures due 2027	A-
Rating Outlook:	Stable

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