INDOPREMIER

Nusantara Sejahtera Raya

BUY

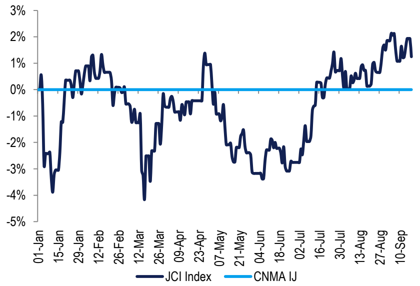
Company Initiation | Consumer Discretionary | 19 September 2023

Stock Data

Target price (Rp)	**Rp350**
Prior TP (Rp)	*N/A*
Current price (Rp)	Rp274
Upside/downside	*N/A*
Shares outstanding (mn)	83,345
Market cap (Rp bn)	23,003
Free float	10%
Avg. 6m daily T/O (Rp bn)	N/A

Price Performance

	3M	6M	12M
Absolute	N/A	N/A	N/A
Relative to JCI	N/A	N/A	N/A
52w low/high (Rp)			270 – 316



Major Shareholders

PT Harkatjaya Bumipersada	53.9%
Salween Investment Private Limited	22.5%
PT Adi Pratama Nusantara	13.5%

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An undisputable leader in cinema and attractive consumer proxy

- CNMA is well positioned to capture growing income and consumption amid its dominance and lack of entertainment options in Indonesia.
- Underpenetrated market shall provide them with growth opportunity in Tier 2 and 3 cities.
- With a clear growth and monetization strategy, we initiate CNMA with a BUY rating with a TP of Rp350/share

Riding Indonesia's growing economy and consumption

According to Euromonitor, Indonesia's disposable income/capita is expected to rise from US$2,637 in FY22 to US$3,209 in FY25F (FY22-25 CAGR of 6.8%). Additionally, Indonesia's FY21 screen penetration of 7.6 is lower than regional peers such as Malaysia/India/Thailand's 41.0/8.1/12.9 and even lower than developed countries such as US/UK/China's 131.5//71.5/45.7. This leaves ample room for growth as CNMA has yet to fully penetrate cities/regencies with FY22 nominal GDP of more than US$5k/capita (current presence in 32 cities out of a total 103 cities/regencies - at 31%).

Tier 2 and 3 expansion is imperative for growth

Given CNMA's dominance (70/58% GBO/screen market share in FY21), we believe that growth in tier 1 cities may not be enough to drive sustainable double-digit top-line growth. Hence, we concur with its strategy to expand into tier 2/3 cities: 1) average ticket/F&B prices was relatively similar (based on our survey) but can be offset by lower rental & labour costs, 2) less competition and 3) proving the key top-line balancing as tier 2/3 cities are more inclined towards domestic films vs. tier 1's inclination to imported films.

Monetizing through F&B while maintaining competitive ticket pricing

CNMA's average ticket prices increase has been minimal; this may at a glance show weak pricing power but we found that this was intentional to maintain competitiveness in order to attract more traffics, hence optimizing cinema occupancy rate while concurrently monetizing through F&B (F&B bears much higher GPM of 72% vs. ticket sales' 50% in FY22). Note that F&B proportion as % of cinema revenue has risen to 53% in FY22 (58.5% in 1H23) from 40% in FY19 and we expect this to further increase to 68% by FY25F through F&B revenue optimization initiatives.

Clear growth strategy shall support its robust financial outlook

Expansion to more cities and monetizing through F&B offering is a clear growth strategy. We expect revenue/EBITDA/net profit growth of 27/34/56% FY22-25F CAGR with FY22/25F ROE of 15/29%. As such we arrive at a DCF-derived TP of Rp350/share, implying 21.4x FY24F P/E vs. Asian cinema peers of 19x and Indo consumer peers of 18x – the premium of which is justified by CNMA's dominant market share & superior growth outlook. Risks are delay in box office movies due to strike and disappointing local movies.

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Revenue	1,280	4,401	5,347	7,663	9,092
EBITDA	313	1,393	1,684	2,699	3,317
Net Profit	(351)	460	662	1,365	1,751
EPS growth	N/A	N/A	43.7%	106.3%	28.3%
ROE	-9.1%	14.7%	17.6%	24.9%	28.3%
PER (x)			34.5	16.7	13.0
EV/EBITDA (x)			12.0	7.3	5.9
Dividend Yield			1.5%	2.2%	5.4%
Forecast changes			N/A	N/A	N/A
IPS/consensus			107%	109%	102%

Sources: Company, Indo Premier *Share Price Closing as of : 18 September 2023*

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Investment Thesis

Riding Indonesia's growing economy and consumption
According to Euromonitor, Indonesia's disposable income/capita is expected to rise from US$2,637 in FY22 to US$3,209 in FY25F (FY22-25 CAGR of 6.8%). Additionally, Indonesia's FY21 screen penetration (screen/1mn population) of 7.6 is lower than regional peers such as Malaysia/ India/ Thailand's 41.0/8.1/12.9 and paled against developed countries such as US/UK/China's 131.5//71.5/45.7.

This leaves ample room for growth, as currently CNMA only has presence in 32 cities/regencies (FY22) with FY22 nominal GDP of more than US$5k/capita out of a total of 103 cities/regencies with more than US$5k/capita, based on Indonesia Statistics Bureau (BPS) data.

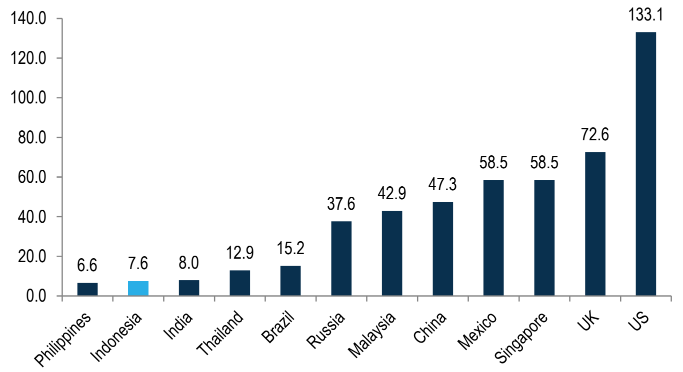
Out of the 71 cities/regencies that do not have CNMA presence, 89% of these cities are located in the ex-Java islands and 35/30/11% of these cities are located in Sumatra/Kalimantan/Sulawesi. This is also supported by the lack of entertainment options in Indonesia compared to other countries i.e. more outdoor entertainment options.

Fig. 1: CNMA penetration to cities/regencies with nominal GDP per capita of >US$5,000 in Indonesia

Island	Number of cities/regencies with GDP/capita >US$5,000	Number of cities/regencies with C21 presence	Number of cities/regencies w/o C21 presence	% of untapped cities/regencies based on island
Sumatra	35	10	25	35%
Java	23	15	8	11%
Kalimantan	24	3	21	30%
Maluku	1	0	1	1%
Nusa Tenggara	3	1	2	3%
Papua	7	1	6	8%
Sulawesi	10	2	8	11%
Total	**103**	**32**	**71**	**100%**

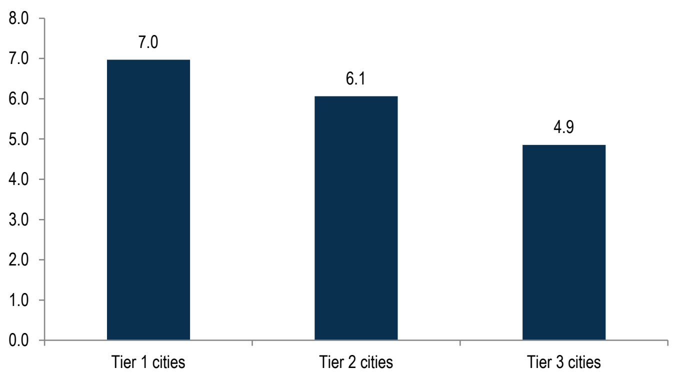
Source: BPS, Indo Premier

Fig. 2: Number of screens per million population in 2022F



Source: Euromonitor

Fig. 3: Number of cinema per million population in Indonesia in 2022 (based on big 3 cinema players; >90% market share)

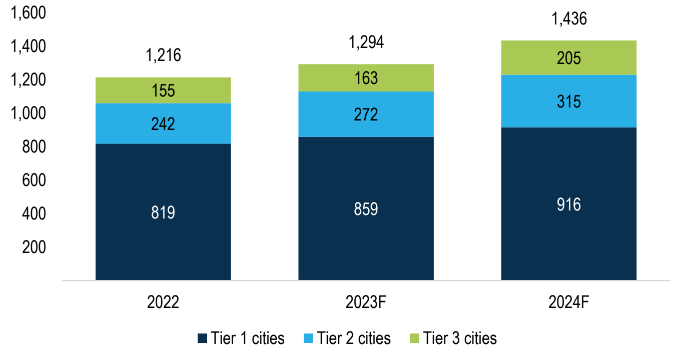


Source: Respective company website, Indo Premier

Tier 2 and 3 expansion is imperative
According to the Company, Tier1/Tier2/Tier3 cities refer to cities with GDP at PPP per capita of >US$15k/between US$10k-15k/<US$10k. Given CNMA's dominance (70/58% FY21 GBO/screen market share, according to Euromonitor), we believe that the growth in Jakarta or other tier 1 cities i.e. Surabaya, Semarang, Medan may not be enough to sustainable drive double digit top-line growth.

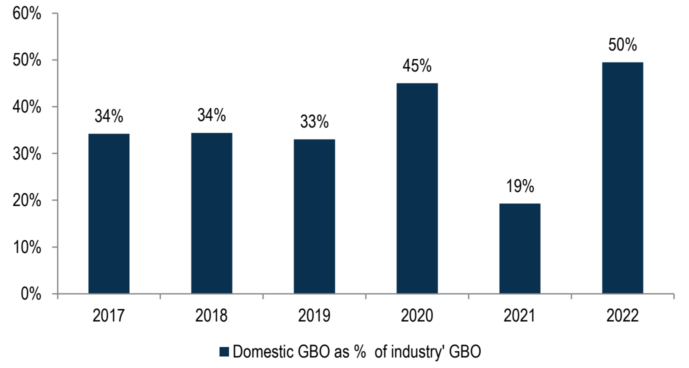
Hence, we concur with its strategy to expand into tier 2/3 cities (account for 48.7/59.9% of CNMA's total screen expansion plan in FY23/24F): 1) average ticket/F&B prices was relatively similar (based on our survey) but can be offset by lower rental/labour costs, 2) minimal competition from other cinema player or other entertainment player and 3) proving the necessary top-line balancing as tier 2/3 cities are more inclined towards domestic movies (which accounts for 50% in FY22 of national GBO vs. 34% in FY17) vs. tier 1's inclination to imported films.

Fig. 4: CNMA number of screens by city tier



Source: Company

Fig. 5: Domestic movie contribution to industry' GBO



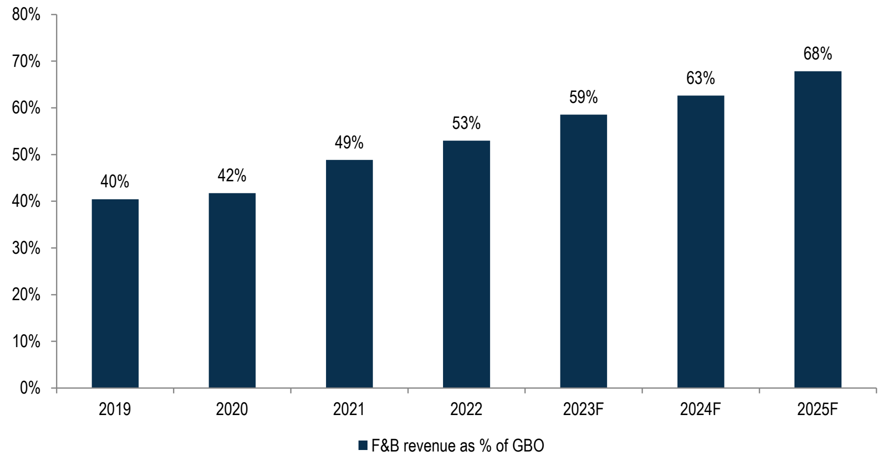
Source: Euromonitor

Monetizing through F&B while maintaining competitive ticket pricing

CNMA's average ticket prices increase has been minimal; this may at a glance shows weak pricing power but we found that this isn't true and instead, we believe that it was an intentional decision to maintain competitive ticket price to attract more traffics and optimize cinema occupancy rate while in-turn monetizing through F&B (note that FY22 F&B bears much higher gross profit margin of 72% vs. ticket sales' 50%).

Note that F&B proportion as % of net cinema revenue has risen to 53% in FY22 (58.5% in 1H23) from 40.5% in FY19 and we expect this percentage for CNMA to increase to 68% by FY25F through further F&B revenue optimization initiatives (further discussed in this report); note that developed market like US has much higher ratio of 75% in FY22.

Fig. 6: CNMA's F&B contribution as % of net cinema revenue



Source: Company, FY23-25F are based on Indo Premier forecasts

F&B has always been the major profit driver for CNMA; accounting for 70.2/120.5% of net profit in FY19/22 with its net profit margin of 49.7/42.5% in FY19/22 is much higher than cinema's net profit margin of 9.7/-3.4%.

Clear growth strategy shall support its robust financial outlook
Expansion to more cities while maintaining competitive ticket pricing (but offer high quality cinema experience) and monetizing through F&B offering is very clear growth strategy. Risks are delay/lack of international box office movies and/or disappointing local box office.

Fig. 7: Cinema global player's net profit margin comparison

Ticker	Region	2015	2016	2017	2018	2019	2020	2021	2022
Cinema 21	**Indonesia**	**N/A**	**N/A**	**N/A**	**N/A**	**17.4%**	**-44.8%**	**-27.4%**	**10.5%**
PVR Cinema	India	5.4%	4.6%	5.4%	6.2%	0.8%	-272.7%	-36.9%	N/A
Wanda Film	China	15.5%	12.2%	11.5%	12.9%	-30.6%	-105.9%	0.9%	-19.8%
CJ CGV	Korea	4.4%	0.9%	-0.1%	-7.9%	-7.9%	-110.1%	-41.2%	-14.7%
Cinemark	US	7.6%	8.7%	8.8%	6.6%	5.8%	-89.9%	-28.0%	-11.0%
Kinepolis	Germany	14.3%	14.7%	13.8%	10.0%	9.9%	-39.1%	-9.5%	5.5%
Major Cineplex	Thailand	13.6%	13.6%	13.3%	12.9%	13.2%	-14.0%	52.5%	3.9%
Cineplex	Canada	9.8%	5.4%	4.6%	4.8%	1.7%	-150.4%	-37.9%	0.0%
Simple average without Cinema 21		**10.1%**	**8.6%**	**8.2%**	**6.5%**	**-1.0%**	**-111.7%**	**-14.3%**	**-6.0%**

Source: Bloomberg, Company

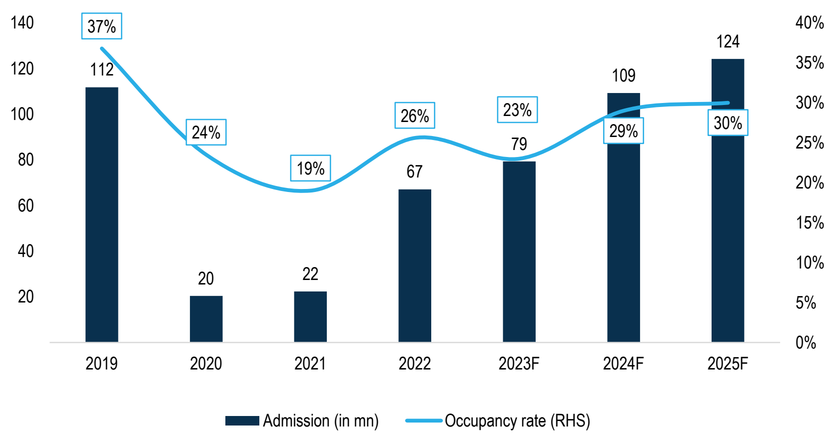
Fig. 8: Cinema global player's net gearing ratio comparison

Ticker	Region	2015	2016	2017	2018	2019	2020	2021	2022
Cinema 21	**Indonesia**	**N/A**	**N/A**	**N/A**	**N/A**	**-**	**-**	**-**	**-**
PVR Cinema	India	0.4	0.8	0.7	0.7	3.1	2.2	3.1	N/A
Wanda Film	China	(0.1)	0.1	0.3	0.2	0.3	0.2	1.2	1.6
CJ CGV	Korea	1.0	0.9	1.2	1.3	4.5	8.6	8.9	5.8
Cinemark	US	1.3	1.2	1.1	1.1	2.0	4.0	9.6	26.0
Kinepolis	Germany	1.3	1.1	1.3	1.6	3.9	7.2	7.2	5.0
Major Cineplex	Thailand	0.7	0.7	0.6	0.5	0.8	1.0	0.0	0.2
Cineplex	Canada	0.4	0.5	0.8	0.8	3.3	77.6	(8.3)	(8.9)
Simple average without Cinema 21		**0.7**	**0.8**	**0.9**	**0.9**	**2.6**	**14.4**	**3.1**	**4.9**

Source: Bloomberg

Additionally, we expect CNMA to maintain its dominant GBO market share (according to Euromonitor and for FY21: 70.0%) given its screen expansion pipeline (c.78 screens by the end of FY23 and total screens expected to grow approximately 10% thereafter until FY25F), enabled by its healthy balance sheet to fund capex entirely from internal cash flow generation – in contrast to CNMA's domestic cinema peers, especially #2 player CGV Indonesia, PT Graha Layar Prima Tbk (BLTZ) with its high net gearing ratio of 2.84x in FY22 (and its parent company, CGV Korea of 5.8x), according to Bloomberg.

Fig. 9: CNMA's annual admission (mn admission)



Source: Euromonitor, FY23-25F are based on Indo Premier forecasts

<u>Operating leverage will start to materialize in 2023</u>. In FY22, CNMA's operating expense made up 43.2% of total revenue and not moving in-line with revenue growth as most of the opex are somewhat fixed in nature and most has been normalized as the previous year's salary and rental was relatively low due to pandemic (i.e. rental discount during pandemic).

In FY23/24F with our expectation of 21.5/43.3% yoy revenue growth outpacing operating expense growth of 16.4/22.9% yoy, we expect significant operating leverage as operating costs to sales ratio shall decline from FY22's 43.2% to 41.4/35.5% in FY23/24F. This is expected to lead to net profit margin expansion from FY22's 10.5% to FY23/24F's 12.4/17.8%, which shall result in net profit growth of 43.7/106.3% yoy in FY23/24F.

Our FY23/24/25F box office revenue forecasts are based on an assumption of 23.0/29.0/30.0% occupancy, still below pre-pandemic (FY19)'s occupancy level of 36.8%. We expect admissions to reach 79/109mn in FY23/24F (+18/38% yoy) – Fig 9, on the back of a higher number of expected imported box office (>1mn admission) film slates upcoming in FY23/24F of up to 19/26 vs FY22's 9 (Fig 10-11).

Thus far, CNMA admission in 1H23 has rebounded by 22.6% driven by international box office titles such as Fast X, Transformers: Rise of the Beasts and Guardians of the Galaxy. On the domestic movie slates, box office titles include Sewu Dino, Waktu Maghrib, Buya Hamka, which were the admission drivers in 1H23. Based on Cinepoint's industry data, 1H23 industry estimated admission grew +2.2% yoy (vs CNMA's +22.6% admission growth), implying that CNMA gained additional market share in 1H23.

Fig. 10: FY23F major movie release & pipeline in Indonesia

No	2023 movie release	Industry admission (mn) in 8M23
Domestic		
1	Sewu Dino	4.9
2	Waktu Maghrib	2.4
3	Suzzanna: Malam Jumat Kliwon	2.2
4	Ketika berhenti di sini	1.6
5	Buya Hamka	1.3
6	Khanzab	1.2
7	Sosok Ketiga	1.2
Imported movie		
1	Fast X	4.8
2	Transformers: Rise of the Beasts	3.6
3	Guardians of the Galaxy Vol. 3	2.8
4	Ant-Man and the Wasp: Quantumania	2.8
5	The Nun 2	2.8
6	Mission: Impossible – Dead Reckoning Part One	2.5
7	Insidious: The Red Door	1.9
8	Barbie	1.7
9	Meg 2: The Trench	1.7
10	The Super Mario Bros. Movie	1.7
11	The Little Mermaid	1.6
12	Evil Dead Rise	1.6
13	The Marvels	
14	Wish	
15	Killers of the Flower Moon	
16	The Expendables 4	
17	The Pope Exorcist	
18	The Hunger Games: The Ballad of Songbirds and Snakes	
19	Aquaman and the Lost Kingdom	

Source: Box Office Mojo, Cinepoint

Fig. 11: FY24F major international movie pipeline in Indonesia

No	2024 international movie pipeline
1	Joker: Folie à Deux
2	Mission: Impossible - Dead Reckoning Part Two
3	Snow White
4	The Lord of the Rings: The War of the Rohirrim
5	Captain America: New World Order
6	Thunderbolts
7	Mufasa: The Lion King
8	Despicable Me 4
9	Untitled Disney Live-Action Mar. 2024 Film
10	Untitled Disney Live-Action July 2024 Film
11	Untitled Pixar Jun. 2024 Animated Film
12	Untitled Pixar Mar. 2024 Animated Film
13	Inside Out 2
14	Elio
15	Ballerina
16	Kraven the Hunter
17	Kingdom of the Planet of the Apes
18	A Quiet Place: Day One
19	Godzilla x Kong: The New Empire
20	Kung Fu Panda 4
21	The Karate Kid Sequel
22	Fantastic Beasts and Where to Find Them 5
23	Dune: Part 2
24	Untitled M. Night Shyamalan Thriller
25	The Watchers
26	Spider-Man: Beyond The Spider-Verse

Source: Box Office Mojo

Comparison with peers (Dupont Analysis)

We analyzed CNMA's financial metrics and compared it to other listed global cinema operators (Full list in Fig. 18). Among these listed global cinema operators, CNMA emerged as one of the most healthy and profitable among peers. According to Bloomberg data, most global cinema peers are heavily geared with average net gearing ratio standing at 2.6/5.6x in FY19/22, in contrast with CNMA's net cash balance sheet – implying CNMA's favorable positioning against the current backdrop of rising interest rates globally.

In terms of profitability, CNMA leads the recovery from the pandemic with the highest positive net profit margin of 10.5% in FY22, followed by global peers such as Kinepolis' 5.5% (Germany) and Major Cineplex' 3.9% (Thailand) in FY22, while the rest of the global peers are still booking net losses (Fig. 12-13).

Additionally, our Dupont analysis for CNMA and its global cinema peers also indicate CNMA with relatively higher ROE. Apart from having one of the highest profitability profile, CNMA also commands the highest asset turnover among peers, both pre-pandemic in FY19 at 1.2x vs. peers' average of 0.6x and in FY22 at 0.7x vs. peers' average of 0.5x (Fig. 12-13).

Going forward (FY23-25F), we believe that CNMA is poised to grow faster than peers given Indonesia's relatively underpenetrated industry landscape and conducive macroeconomic backdrop (rising discretionary income/capita). Additionally, CNMA's strong cash flow generation ability and healthy balance sheet means that it would be able to fund its expansionary capex fully from its operational cash flow, while heavily geared cinema peers may struggle financially with ballooning finance costs as interest rates rise.

Fig. 12: ROE Comparison

	2019	2020	2021	2022	2023F	2024F
Cinema XXI (Indonesia)						
Net Profit Margin	17.4%	-44.8%	-27.4%	10.5%	12.4%	17.8%
Asset Turnover	1.2	0.2	0.2	0.7	0.7	0.9
Equity Multiplier	1.3	1.4	1.6	2.1	1.9	1.5
ROE	**26.9%**	**-13.0%**	**-9.1%**	**14.7%**	**17.6%**	**24.9%**
PVR Cinema (India)						
Net Profit Margin	0.8%	-272.7%	-36.9%	-3.4%	4.5%	7.5%
Asset Turnover	0.6	0.0	0.2	0.4	0.9	1.0
Equity Multiplier	3.8	4.5	4.6	5.5	5.2	4.3
ROE	**1.8%**	**-45.1%**	**-30.5%**	**-8.1%**	**5.0%**	**8.8%**
Wanda Film (China)						
Net Profit Margin	-30.6%	-105.9%	0.9%	-19.8%	7.8%	8.7%
Asset Turnover	0.5	0.3	0.5	0.4	0.5	0.6
Equity Multiplier	1.7	2.0	2.7	3.4	3.5	3.1
ROE	**-28.5%**	**-54.6%**	**1.1%**	**-10.3%**	**14.6%**	**16.4%**
CJ CGV (Korea)						
Net Profit Margin	-7.9%	-110.1%	-41.2%	-14.7%	-4.4%	0.6%
Asset Turnover	0.6	0.1	0.2	0.3	0.5	0.5
Equity Multiplier	5.9	10.0	13.8	10.6	10.0	10.8
ROE	**-26.5%**	**-144.5%**	**-102.9%**	**-47.9%**	**-20.0%**	**3.3%**

Source: Bloomberg, Company, Indo Premier

Fig. 13: ROE Comparison (Cont')

	2019	2020	2021	2022	2023F	2024F
Cinemark (US)						
Net Profit Margin	5.8%	-89.9%	-28.0%	-11.0%	5.7%	5.8%
Asset Turnover	0.6	0.1	0.3	0.5	0.6	0.6
Equity Multiplier	3.5	5.1	9.5	22.1	23.8	13.3
ROE	**13.2%**	**-54.9%**	**-74.6%**	**-119.5%**	**83.8%**	**47.6%**
Kinepolis (Germany)						
Net Profit Margin	9.9%	-39.1%	-9.5%	5.5%	9.0%	12.3%
Asset Turnover	0.6	0.1	0.2	0.4	0.5	0.6
Equity Multiplier	5.1	7.3	9.6	8.5	6.4	4.9
ROE	**28.0%**	**-40.8%**	**-20.6%**	**19.8%**	**31.2%**	**34.1%**
Major Cinplex (Thailand)						
Net Profit Margin	13.2%	-14.0%	52.5%	3.9%	8.1%	9.8%
Asset Turnover	0.7	0.2	0.2	0.4	0.5	0.5
Equity Multiplier	2.3	2.5	2.5	2.2	2.0	1.9
ROE	**19.9%**	**-7.5%**	**22.7%**	**3.5%**	**8.3%**	**9.9%**
Cineplex (Canada)						
Net Profit Margin	1.7%	-150.4%	-37.9%	0.0%	9.3%	4.3%
Asset Turnover	0.7	0.2	0.3	0.6	0.7	0.7
Equity Multiplier	3.9	8.8	(22.8)	(9.9)	(16.2)	(86.5)
ROE	**4.6%**	**-204.5%**	**254.5%**	**-0.1%**	**N/A**	**N/A**

Source: Bloomberg, Indo Premier

Dupont analysis with consumers comps

In addition to comparison with global cinema peers, we further compared CNMA's metrics to Indonesian consumer peers using Dupont analysis. In the pre-pandemic period FY19, CNMA's ROE emerged higher at 27% to consumer peers. On the other hand, CNMA's ROE in FY23F of 18% is slightly lower than consumer peers' average of 22% due to CNMA's sub-optimal recovery in FY23F (vs. pre-pandemic level). CNMA admission recovery to pre-pandemic level is expected only in FY24F, registering a higher FY24F ROE of 25%.

Fig. 14: Indonesian consumer companies valuation table summary

	PE			Net profit growth			PEG			Net profit CAGR	ROE	
	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F	FY22-25F	FY23F	FY24F
ICBP	12.5	11.2	10.1	38.7%	11.1%	11.2%	0.3	1.0	0.9	19.7%	25.2%	24.0%
MYOR	21.2	17.6	15.1	66.6%	20.1%	17.2%	0.3	0.9	0.9	32.9%	20.5%	23.4%
SIDO	17.3	16.0	14.9	-5.5%	8.2%	7.7%	(3.1)	2.0	1.9	3.3%	29.8%	32.0%
CMRY	23.8	19.0	15.3	21.0%	25.0%	24.0%	1.1	0.8	0.6	23.3%	21.5%	22.8%
Simple average	**18.7**	**16.0**	**13.9**	**30.2%**	**16.1%**	**15.0%**	**(0.3)**	**1.1**	**1.1**	**19.8%**	**24.3%**	**25.6%**
AMRT	36.1	29.6	24.4	16.8%	21.9%	21.6%	2.1	1.4	1.1	20.1%	27.9%	28.8%
ACES	21.5	19.5	17.7	-4.3%	9.8%	10.2%	(5.0)	2.0	1.7	5.0%	10.7%	11.5%
MAPI	15.6	12.8	10.9	10.1%	22.4%	17.1%	1.5	0.6	0.6	16.4%	21.0%	20.7%
Simple average	**24.4**	**20.6**	**17.7**	**7.5%**	**18.0%**	**16.3%**	**(0.4)**	**1.3**	**1.2**	**13.8%**	**19.9%**	**20.3%**
Consumer avg.	**21.1**	**18.0**	**15.5**	**20.5%**	**16.9%**	**15.6%**	**(0.4)**	**1.2**	**1.1**	**17.2%**	**22.4%**	**23.3%**
CNMA	**34.5**	**16.7**	**13.0**	**43.7%**	**106.3%**	**28.3%**	**0.8**	**0.2**	**0.5**	**56.1%**	**17.6%**	**24.9%**

Source: Company, Bloomberg, Indo Premier

Fig. 15: ROE Comparison

	2019	2020	2021	2022	2023F	2024F
Cinema XXI (CNMA)						
Net Profit Margin	17.4%	-44.8%	-27.4%	10.5%	12.4%	17.8%
Asset Turnover	1.2	0.2	0.2	0.7	0.7	0.9
Equity Multiplier	1.3	1.4	1.6	2.1	1.9	1.5
ROE	**26.9%**	**-13.0%**	**-9.1%**	**14.7%**	**17.6%**	**24.9%**
Sumber Alfaria Trijaya (AMRT)						
Net Profit Margin	1.5%	1.4%	2.3%	2.9%	3.0%	3.3%
Asset Turnover	3.2	3.0	3.2	3.3	3.4	3.5
Equity Multiplier	3.7	3.5	3.2	2.8	2.7	2.6
ROE	**17.7%**	**15.0%**	**23.1%**	**27.9%**	**27.9%**	**28.8%**
Ace Hardware Indonesia (ACES)						
Net Profit Margin	11.9%	9.4%	10.0%	9.3%	8.1%	8.2%
Asset Turnover	1.4	1.1	1.0	1.0	1.1	1.1
Equity Multiplier	1.4	1.4	1.3	1.3	1.2	1.2
ROE	**23.0%**	**14.9%**	**12.8%**	**11.6%**	**10.7%**	**11.5%**
Mitra Adi Perkasa (MAPI)						
Net Profit Margin	4.3%	-3.0%	2.2%	5.8%	5.8%	5.8%
Asset Turnover	1.9	1.0	1.2	1.6	1.5	1.5
Equity Multiplier	2.3	2.7	3.1	2.7	2.5	2.4
ROE	**18.3%**	**-8.4%**	**7.8%**	**24.7%**	**22.1%**	**20.9%**

Source: Bloomberg, Company, Indo Premier

Fig. 16: ROE Comparison (Cont')

	2019	2020	2021	2022	2023F	2024F
Indofood CBP Sukses Makmur (ICBP)						
Net Profit Margin	11.8%	14.2%	12.1%	11.3%	14.3%	14.7%
Asset Turnover	1.2	0.7	0.5	0.6	0.6	0.6
Equity Multiplier	1.6	2.6	3.5	3.3	3.0	2.8
ROE	**21.3%**	**24.2%**	**21.7%**	**20.8%**	**25.3%**	**24.2%**
Cisarua Mountain Dairy (CMRY)						
Net Profit Margin	7.8%	9.5%	19.3%	16.6%	16.5%	16.8%
Asset Turnover	1.9	2.0	1.2	1.1	1.3	1.4
Equity Multiplier	1.5	1.5	1.2	1.2	1.0	1.0
ROE	**21.4%**	**27.4%**	**29.1%**	**21.3%**	**21.5%**	**22.8%**
Industri Jamu dan Farmasi Sido Muncuk (SIDO)						
Net Profit Margin	26.3%	28.0%	31.4%	28.6%	28.0%	28.7%
Asset Turnover	0.9	0.9	1.0	1.0	0.9	1.0
Equity Multiplier	1.2	1.2	1.2	1.2	1.2	1.1
ROE	**27.1%**	**29.7%**	**37.7%**	**32.8%**	**28.9%**	**32.0%**
Mayora Indah (MYOR)						
Net Profit Margin	8.4%	7.9%	4.0%	5.2%	7.8%	8.5%
Asset Turnover	1.4	1.3	1.4	1.5	1.5	1.6
Equity Multiplier	2.0	1.9	1.8	1.8	1.8	1.8
ROE	**23.4%**	**18.7%**	**10.2%**	**13.5%**	**20.5%**	**23.4%**

Source: Bloomberg, Indo Premier

Valuation

We adopt DCF valuation methodology to derive CNMA's fair valuation at Rp28.7tr or Rp350/share, implying 21.4x FY24 PE. Our DCF valuation assumes a market risk premium of 6.5%, a risk-free rate of 6.5% (10-year government bond yield) and terminal growth rate of 5.0%, along with a beta of 0.9. This is a slight premium compared to regional cinema players (Wanda, PVR, Major) FY24F P/E of 18.8x and Indonesian consumer names average FY24F P/E of 18.0x, which is justified by CNMA's dominant market share and superior growth outlook, in our view.

Fig. 17: DCF valuation

Free cash flow	FY20	FY21	FY22	FY23F	FY24F	FY25F	FY26F	FY27F
EBIT	(0.7)	(0.4)	0.7	1.0	1.9	2.4	2.9	3.4
Depreciation and amortization	0.6	0.7	0.7	0.7	0.8	0.9	1.0	1.1
Taxes	0.1	0.1	(0.1)	(0.2)	(0.4)	(0.5)	(0.6)	(0.7)
Change in WC	(0.3)	0.3	(0.1)	(0.0)	0.1	0.1	0.1	0.0
Capex	(0.3)	(0.2)	(0.2)	(0.8)	(1.4)	(1.3)	(1.4)	(1.5)
Free cash flow	**(0.5)**	**0.5**	**1.1**	**0.6**	**1.0**	**1.5**	**2.0**	**2.3**

WACC calculation	
Target capital structure	
Debt-to-total capitalization	- %
Equity-to-total capitalization	100.0%
Cost of debt	
Cost of debt	- %
Tax rate	22.0%
After-tax cost of debt	**- %**
Cost of equity	
Risk-free rate	6.5%
Market risk premium	6.5%
Levered beta	0.90
Size premium	- %
Cost of equity	**12.4%**
WACC	**12.4%**

Enterprise value	
Cumulative NPV of FCF	**5.0**
Terminal value	
Terminal year (2027F)	2.3
Long-term growth	5.0%
PV of terminal value	**21.0**
Enterprise value	**26.0**

Implied market cap	
Enterprise value	26.0
Plus: Net cash	2.7
Implied market cap (Rp tr)	**28.7**

Implied valuation	FY23F	FY24F
EBITDA	1.7	2.7
Implied EV/EBITDA	**15.4x**	**9.6x**
Net profit	0.7	1.4
Implied P/E	**43.3x**	**21.0x**

Source: Indo Premier forecasts

Fig. 18: Peers comparison

Name	Region	Mkt cap	EV		P/E			EV/EBITDA			ROE		EPS Growth	
		USD mn	USD mn	FY19	FY23F	FY24F	FY19	FY23F	FY24F	FY19	FY23F	FY24F	FY23F	FY24F
Wanda Film	China	4,086	5,444	NA	26.1	19.9	(10.3)	11.3	9.9	-29%	14%	16%	-155%	31%
AMC Entertainment	United States	1,658	10,729	NA	NA	NA	7.2	27.9	22.2	-11%	11%	4%	N/A	N/A
CINEMARK	United States	2,039	4,921	10.7	11.8	11.4	5.2	8.6	8.3	13%	83%	53%	-164%	4%
PVR	India	2,017	2,940	523.5	29.8	21.5	19.4	9.6	8.2	2%	7%	9%	101%	39%
Kinepolic	Germany	1,300	2,213	21.4	22.3	14.7	11.5	11.8	10.0	28%	30%	35%	101%	52%
CJ CGV	South Korea	275	1,982	NA	NA	33.7	4.7	9.9	8.9	-26%	-20%	4%	N/A	N/A
Major Cineplex	Thailand	343	371	7.6	19.6	14.9	4.0	6.7	6.0	20%	8%	11%	143%	31%
Cineplex	Canada	375	1,758	17.2	3.4	7.1	5.8	6.6	5.9	5%	-122%	-993%	N/A	-51%
Aggregate		**9,701**	**25,659**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Average Global				16.4	12.5	11.1	7.4	13.7	11.6	8%	1%	-226%	-32%	1%
Average Asian				265.6	25.2	18.8	4.3	9.2	8.0	-2%	10%	12%	30%	34%
CNMA	**Indonesia**	**1,486**	**1,619**		**34.5**	**16.7**		**12.0**	**7.3**	**31%**	**18%**	**25%**	**44%**	**106%**

Source: Bloomberg

Macroeconomic outlook

Structural economic drivers shall pave the way for accelerated growth of Indonesia's disposable income per capita

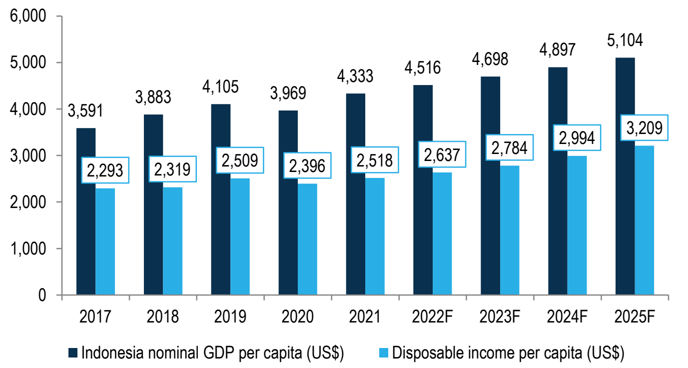
Indonesia's recovery post the Covid-19 pandemic is expected to sustain following the full lifting of mobility restriction in Dec22. According to Indonesia Statistics Bureau, the country's nominal GDP in FY21 of US$1,186bn have exceeded pre-pandemic level of US$1,107bn in FY19 – partially driven by the strong commodity windfall that saw Indonesia's key commodity exports such as CPO/coal average price rose +59/127% yoy in FY21 (according to Bloomberg data).

Aside from the cyclical nature of commodity price fluctuations, Indonesia's export arising from its downstream developments within metal resources (nickel in particular) have also started to bear fruit arising in net export of Iron & Steel rising from FY19's US$7.4bn to FY22's US$27.8bn (according to Indonesia Statistics Bureau) – a structural economic driver for Indonesia in the coming years whilst contributing to Indonesia's currency stability through its meaningful export contribution.

Other factors including investments in infrastructure developments amounting to US$430bn over 2020-2024; Demographic bonus with productive young adults and middle youth accounting for 41.2% of the population in FY22; Indonesia's rising middle income class that is expected to rise from 29.6% of the population in FY22 to 29.9% by FY25F would drive Indonesia's GDP/capita from FY22's US$4,516 to FY25F's US$5,104, according to Euromonitor.

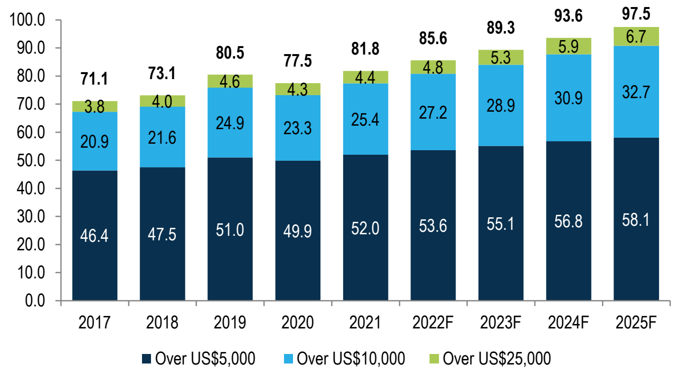
More importantly, this would translate to an acceleration of disposable income per capita growth of US$2,637 in FY22 to US$3,209 by FY25F (+6.8% CAGR FY22-25F), according to Euromonitor data. This would also translate to an increase in the number of households with disposable income over US$5,000/US$10,000 from 53.6/27.2mn in FY22 to 58.1/32.7mn in FY25 – implying a FY22-25 growth of 8.4/20.2% respectively, according to Euromonitor.

Fig. 19: Indonesia nominal GDP & disposable income/capita (US$)



Source: Euromonitor

Fig. 20: Household by disposable income in Indonesia



Source: Euromonitor

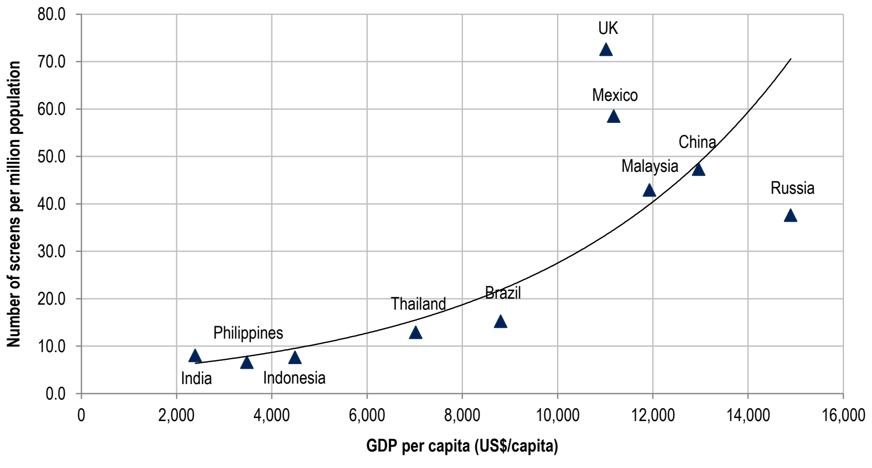
Cinema industry in Indonesia

Underpenetrated market

According to Euromonitor, Indonesia's cinema industry has seen screen addition growth of 16.0% CAGR FY17-19, accelerating after the negative list on cinema from foreign investment is lifted off in 2016. Consequent to cinemas' removal from negative list, CGV increased their stake in BLTZ to become their majority shareholder by Dec16, while GIC reportedly made a investment into CNMA in 2016 for a minority stake. The growth was however disrupted due to the Covid-19 pandemic, with Indonesia's latest screen count stood at 2,107 as of FY22, according to Euromonitor. This translates to Indonesia's cinema screen penetration (number of screens per million population) of 7.6 in FY22, which pale in comparison to other markets. Developed markets such as USA/UK/China have a much higher screen penetration of 133.1/72.6/47.3, while global emerging countries such as Russia/Brazil/Mexico have 37.6/15.2/58.5. On the other hand, regional markets such as Singapore/Malaysia/Thailand/India's screen penetration reached 58.5/42.9/12.9/8.0. Indonesia is superior only to Philippines's 6.6, according to Euromonitor.

Screen penetration and each respective country's GDP/capita are strongly correlated at 0.77x coefficient. Notably, Indonesia' screen penetration of 7.6 is slightly lower than India's 8.0 despite Indonesia's higher GDP/capita of US$4.5k vs India's US$2.4k. In sum, the low screen penetration and rising GDP income/capita provides a highly conducive backdrop for CNMA's expansion target of adding approximately 80/140 screens in FY23/24 or [6.7/12.3%] from 1,216 screens as of 31Dec22.

Fig. 21: Comparison GDP per capita vs. number of screens per million populations.



Source: Euromonitor

Additionally, based on our observation there are a total of 103 cities/regencies in Indonesia with nominal GDP/capita of above US$5,000. As of FY22, CNMA has presence in only 32 cities of them. Out of the 71 cities/regencies that do not have CNMA presence, 89% of these cities are located in the ex-Java islands - 35/30/11% of these cities are located in Sumatera/Kalimantan/Sulawesi. We view that the recent commodity windfall in the ex-Java islands in recent years have yet to be well capitalized by CNMA due to the mobility restrictions that were in place until Dec22.

Fig. 22: CNMA cinema presence in 32 out of the cities and regencies in Indonesia with >US$5,000 nominal GDP per capita (US$)

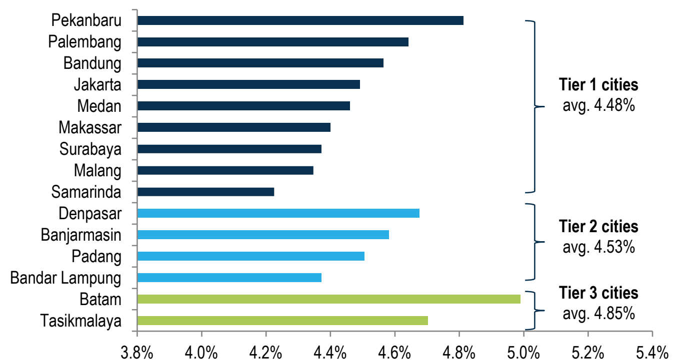
No	Regency/Municipality	Island	GDP/capita	C21
1	Morowali	Sulawesi	55,454	0
2	Kota Kediri	Jawa	35,195	1
3	Kutai Timur	Kalimantan	30,018	0
4	Kepulauan Anambas	Sumatra	26,389	0
5	Teluk Bintuni	Papua	25,251	0
6	Halmahera Tengah	Maluku	23,846	0
7	Bontang	Kalimantan	22,971	0
8	Mimika	Papua	22,883	0
9	Kutai Kartanegara	Kalimantan	21,711	0
10	Tana Tidung	Kalimantan	20,797	0
11	Bengkalis	Sumatra	20,128	0
12	DKI Jakarta	Jawa	20,041	44
13	Natuna	Sumatra	18,932	0
14	Paser	Kalimantan	18,139	0
15	Cilegon	Jawa	17,878	3
16	Kutai Barat	Kalimantan	16,443	0
17	Berau	Kalimantan	15,512	0
18	Surabaya	Jawa	15,138	14
19	Siak	Sumatra	14,941	0
20	Sumbawa Barat	Nusa Tenggara	13,839	0
21	Malinau	Kalimantan	13,735	0
22	Nunukan	Kalimantan	12,875	0
23	Tarakan	Kalimantan	12,707	1
24	Muara Enim	Sumatra	12,090	0
25	Balikpapan	Kalimantan	12,064	3
26	Morowali Utara	Sulawesi	11,343	0
27	Pelalawan	Sumatra	10,636	0
28	Tanjung Jabung Barat	Sumatra	10,289	0
29	Bulungan	Kalimantan	10,247	0
30	Batam	Sumatra	10,232	4
31	Rokan Hilir	Sumatra	9,727	1
32	Kota Makassar	Sulawesi	9,726	6
33	Balangan	Kalimantan	9,685	0
34	Pekanbaru	Sumatra	9,567	2
35	Bintan	Sumatra	9,247	0
36	Kota Semarang	Jawa	9,141	7
37	Dumai	Sumatra	9,052	1
38	Kudus	Jawa	8,925	0
39	Kota Bandung	Jawa	8,892	10
40	Musi Banyuasin	Sumatra	8,712	0
41	Kuantan Singingi	Sumatra	8,673	0
42	Kolaka	Sulawesi	8,507	0
43	Indragiri Hilir	Sumatra	8,417	0
44	Gresik	Jawa	8,200	1
45	Kampar	Sumatra	7,886	0
46	Indragiri Hulu	Sumatra	7,822	0
47	Kepulauan Meranti	Sumatra	7,774	0
48	Sidoarjo	Jawa	7,772	2
49	Murung Raya	Kalimantan	7,635	0
50	Bekasi	Jawa	7,623	2
51	Yogyakarta	Jawa	7,500	4
52	Medan	Sumatra	7,487	10
53	Tabalong	Kalimantan	7,441	0
54	Banggai	Sulawesi	7,347	0
55	Tanjung Jabung Timur	Sumatra	7,289	0
56	Karawang	Jawa	7,138	2
57	Surakarta	Jawa	7,134	4
58	Pasuruan	Jawa	7,109	0
59	Labuhanbatu Selatan	Sumatra	7,108	0
60	Jayapura	Papua	7,088	1
61	Palembang	Sumatra	6,995	4
62	Badung	Nusa Tenggara	6,708	0
63	Kota Malang	Jawa	6,682	4
64	Samarinda	Kalimantan	6,655	5
65	Kotabaru	Kalimantan	6,646	0
66	Batu Bara	Sumatra	6,543	0
67	Kota Manado	Sulawesi	6,441	3
68	Kotawaringin Barat	Kalimantan	6,370	0
69	Barito Timur	Kalimantan	6,323	0
70	Mahakam Ulu	Kalimantan	6,300	0
71	Luwu Timur	Sulawesi	6,199	0
72	Tanah Bumbu	Kalimantan	6,179	0
73	Sorong	Papua	6,111	0
74	Banda Aceh	Sumatra	6,067	0
75	Tanjungpinang	Sumatra	6,057	1
76	Kota Bitung	Sulawesi	5,982	0
77	Barito Utara	Kalimantan	5,950	0
78	Sungai Penuh	Sumatra	5,833	0
79	Pangkajene dan Kepulauan	Sulawesi	5,783	0
80	Jaya pura	Papua	5,749	0
81	Batu	Jawa	5,717	0
82	Rokan Hulu	Sumatra	5,677	0
83	Mojokerto	Jawa	5,630	0
84	Tangerang	Jawa	5,608	17
85	Bukittinggi	Sumatra	5,556	0
86	Kota Magelang	Jawa	5,528	0
87	Labuhanbatu	Sumatra	5,486	1
88	Sukamara	Kalimantan	5,449	0
89	Bangka Barat	Sumatra	5,336	0
90	Muaro Jambi	Sumatra	5,324	0
91	Kota Madiun	Jawa	5,297	0
92	Padang	Sumatra	5,292	2
93	Salatiga	Jawa	5,266	0
94	Sarmi	Papua	5,216	0
95	Kota Cirebon	Jawa	5,200	3
96	Boven Digoel	Papua	5,188	0
97	Batang Hari	Sumatra	5,173	0
98	Labuhanbatu Utara	Sumatra	5,164	0
99	Kotawaringin Timur	Kalimantan	5,115	0
100	Bojonegoro	Jawa	5,094	0
101	Kota Pangkal Pinang	Sumatra	5,090	1
102	Denpasar	Nusa Tenggara	5,013	5
103	Minahasa Utara	Sulawesi	5,007	0

Source: BPS, Indo Premier

Lower tier cities may offer higher growth prospects amidst lower screen penetration

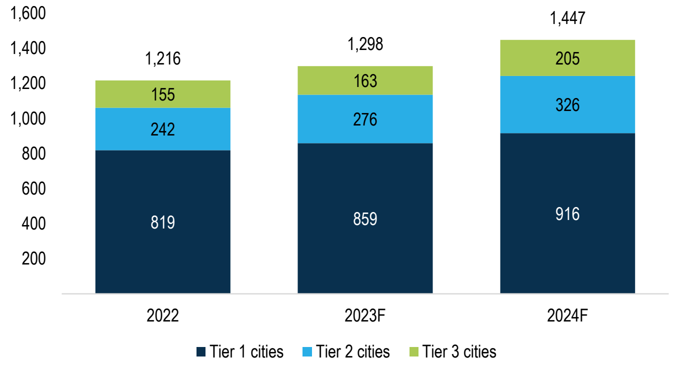
Additionally, Euromonitor also forecasts that disposable income growth rate in Tier 2 and 3 cities to be among the highest in the period of FY22 to FY27. By definition, Tier1/Tier2/Tier3 cities refer to cities with GDP at PPP per capita of >US$15k/between US$10k-15k/<US$10k. Based on a select list of cities, disposable income is expected to grow at 4.5 vs 4.5/4.8% for Tier1 vs Tier2/Tier3 cities between FY22-25F.

Fig. 23: Disposable income 2022-25 CAGR by key cities in Indonesia



Source: Euromonitor

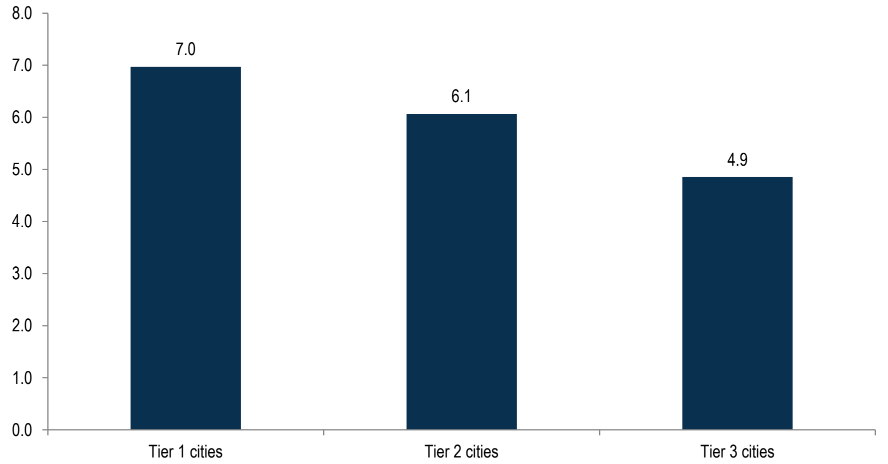
Fig. 24: Cinema CNMA number of screens by city tier



Source: Company

We analysed cinema presence of the top 3 cinema players (CNMA, CGV Indonesia and Cinepolis) across Indonesian Tier 1, Tier 2 and Tier 3 cities – totalling to 76 cities. This data indicates that FY22 cinema penetration (cinemas/100k population) is relatively lower in Tier 2 and Tier 3 cities of 0.61 and 0.49, compared to Tier 1 cities' which registered 0.73. Do note that the total population of the 76 cities totalled to only 56.8mn as of 31Dec22, implying that a large part of the total Indonesian population lives in cities/towns that do not have cinema presence yet.

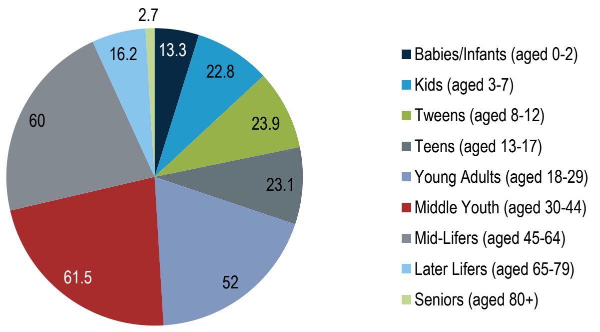
Fig. 25: Number of cinemas per million population in Indonesia in 2022 (based on big 3 cinema players; >90% market share)



Source: Euromonitor, Indo Premier

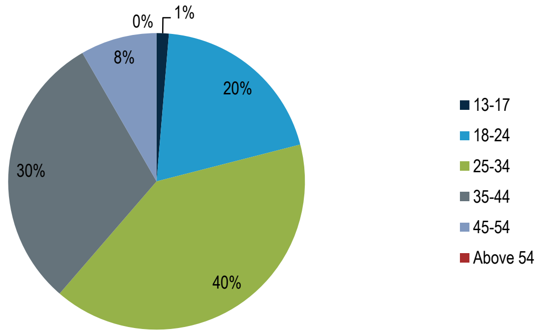
Favourable demographic dividend supports movie-going activities
In terms of demographics, Indonesia boasts a young and productive population with the population under 45 years of age, representing 71.4% of total population in FY22, according to Euromonitor. On the other hand, an online consumer survey conducted by Euromonitor that involves a total of 300 respondents in Indonesia who have visited cinema at least once in the past 6 months indicate that more than 90% are below the age of 45, with about 30/40/20% of the respondents are of the 35-44/25-34/18/24 age profile.

Fig. 26: Indonesia population by age in 2022 (in mn)



Source: Euromonitor

Fig. 27: Movie-going age profile (Jan23 survey)

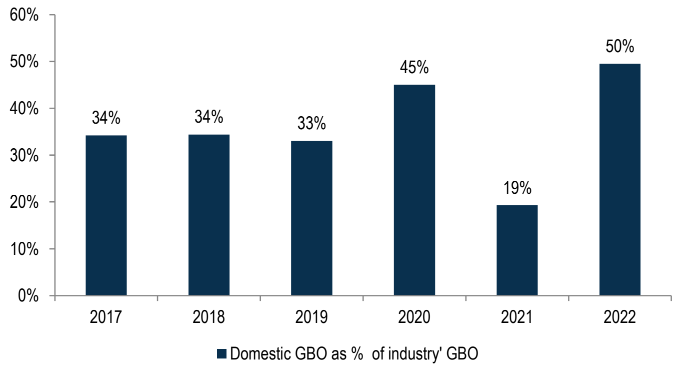


Source: Euromonitor

Domestic movie development; Indonesia among the top 5 highest domestic movie contribution to total GBO
The popularity of Indonesian domestic movies has risen in the past decade as movies that achieved more than 1mn admission have increased significantly from 2 in FY13 to 14 in FY22 (according to filmindonesia). Recently in April 2022, Indonesian horror movie KKN di Desa Penari was able to net in more than 10 million admissions, breaking the previous record of Warkop DKI Reborn (Part 1), according to FilmIndonesia. As domestic contents gained further appeal, production houses are incentivized to create high quality releases on the back of higher confident level of investment into the production budget, which would likely attract even more viewers – creating a virtuous cycle for future development of domestic movies.

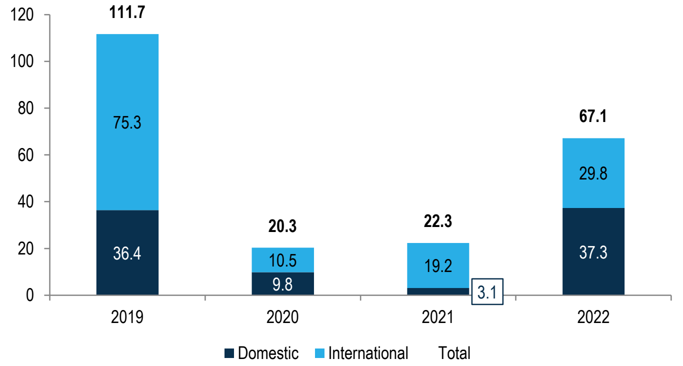
This shall also bode well with CNMA strategy that plans to expand more into tier 2 and 3 cities as these cities have higher inclination towards domestic movies vs. imported movies. For instance, in May22, when an international blockbuster and a domestic movie were released in the same month, the admissions for domestic movies were higher than those for the international film in tier 2 and 3 cities. <u>Specifically, the admissions for domestic movie content in May22 were 65.2% and 64.9% in tier 2 and 3 cities respectively, according to Euromonitor.</u>

Fig. 28: Domestic films as % of industry' GBO



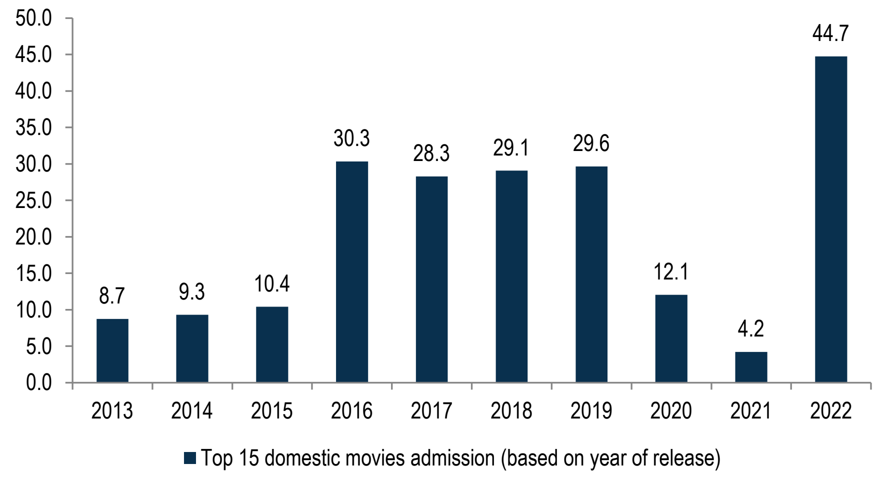
Source: Euromonitor

Fig. 29: Total admission in CNMA by movie type (in mn)



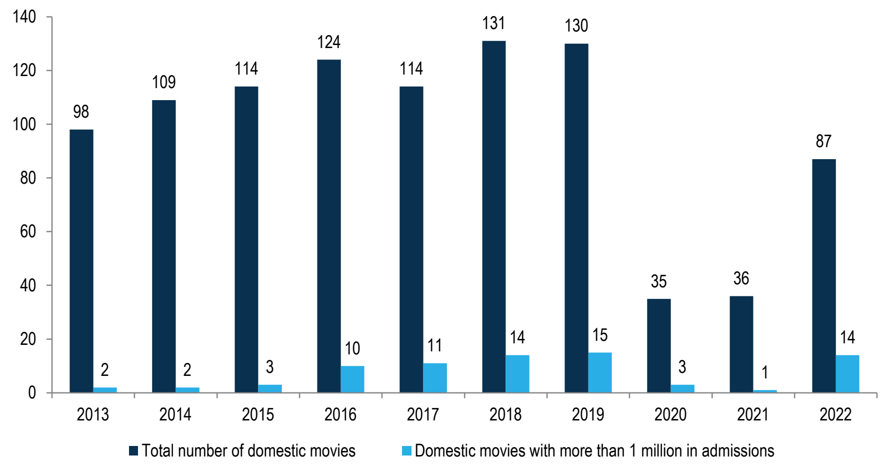
Source: Company

Fig. 30: Top 15 domestic movies admission (based on year of release)



Source: Filmindonesia

Fig. 31: Number of domestically produced movies in Indonesia; Rising domestic box office movies



Source: Euromonitor

The contribution of domestic movies to Indonesia's GBO has also risen significantly from 34.2% in FY17 to FY22's 49.5% and is expected to reach 51.5% by FY25F, according to Euromonitor. Domestic movies play a very important role to the overall cinema industry in Indonesia as they garner strong interest (and admission) in lower tiered cities, while helping to smoothen the seasonality nature of Hollywood blockbuster movie releases that are typically in summer (June to August) and towards the end of the year.

According to the Euromonitor, Indonesia ranks among the top countries with highest domestic movie contribution to the total GBO. The top countries are represented by USA, China, India, South Korea and Japan, followed by Indonesia.

Upcoming film slates in FY23 & FY24

The pandemic also adversely impacted the production houses, resulting in delays of several blockbuster releases. According to data from Box Office Mojo, the number of blockbuster films in Indonesia that grosses over 1mn admission were only 9/12 imported/local titles in FY22 vs 23/10 imported/local titles in FY19.

We expect the upcoming film slate in FY23/24 to be better. In total, we expect up to 19/26 imported films in FY23/24F with high likelihood of grossing more than 1mn admission based on precedents. This includes, among others, The Hunger Games (The Ballad of Songbirds and Snakes), Aquaman (The Lost Kingdom) and The Marvels.

Domestically, the number of movies released in 2022 have also declined from FY18/19's 131/130 domestic movies to a fraction of it at 35/36 in FY20/21 and subsequently recovering to 87 movies in FY22. Thus far in 8M23, there have been 7 domestic titles (Fig 32) that grossed more than 1mn admission with Sewu Deino; Waktu Maghrib; Suzzana topping the charts. Remaining domestic titles with high expectations include Kisah Tanah Jawa: Pocong Gundul, Petualangan Sherina2 and Danur4 among others.

Fig. 32: FY23F major movie release & pipeline in Indonesia

No	2023 movie release	Industry admission (mn) in 8M23
Domestic		
1	Sew u Dino	4.9
2	Waktu Maghrib	2.4
3	Suzzanna: Malam Jumat Kliw on	2.2
4	Ketika berhenti di sini	1.6
5	Buya Hamka	1.3
6	Khanzab	1.2
7	Sosok Ketiga	1.2
Imported movie		
1	Fast X	4.8
2	Transformers: Rise of the Beasts	3.6
3	Guardians of the Galaxy Vol. 3	2.8
4	Ant-Man and the Wasp: Quantumania	2.8
5	The Nun 2	2.8
6	Mission: Impossible – Dead Reckoning Part One	2.5
7	Insidious: The Red Door	1.9
8	Barbie	1.7
9	Meg 2: The Trench	1.7
10	The Super Mario Bros. Movie	1.7
11	The Little Mermaid	1.6
12	Evil Dead Rise	1.6
13	The Marvels	
14	Wish	
15	Killers of the Flow er Moon	
16	The Expendables 4	
17	The Pope Exorcist	
18	The Hunger Games: The Ballad of Songbirds and Snakes	
19	Aquaman and the Lost Kingdom	

Source: Box Office Mojo, Cinepoint

Fig. 33: FY24F major international movie pipeline in Indonesia

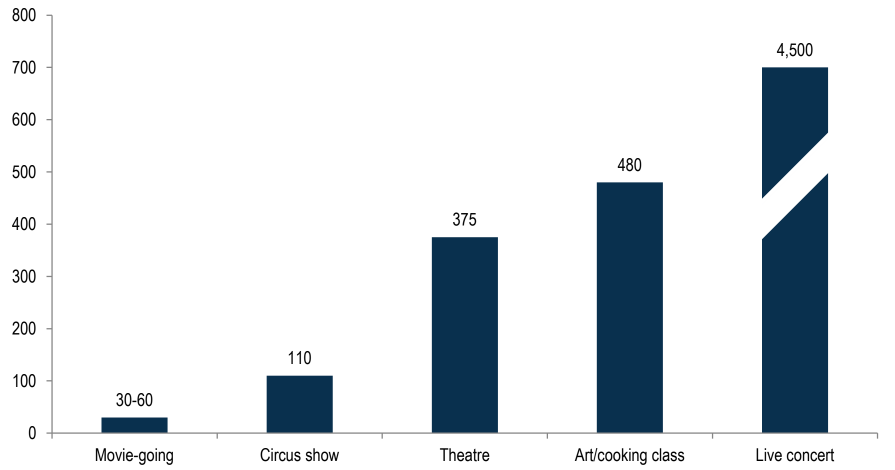
No	2024 international movie pipeline
1	Joker: Folie à Deux
2	Mission: Impossible - Dead Reckoning Part Tw o
3	Snow White
4	The Lord of the Rings: The War of the Rohirrim
5	Captain America: New World Order
6	Thunderbolts
7	Mufasa: The Lion King
8	Despicable Me 4
9	Untitled Disney Live-Action Mar. 2024 Film
10	Untitled Disney Live-Action July 2024 Film
11	Untitled Pixar Jun. 2024 Animated Film
12	Untitled Pixar Mar. 2024 Animated Film
13	Inside Out 2
14	Elio
15	Ballerina
16	Kraven the Hunter
17	Kingdom of the Planet of the Apes
18	A Quiet Place: Day One
19	Godzilla x Kong: The New Empire
20	Kung Fu Panda 4
21	The Karate Kid Sequel
22	Fantastic Beasts and Where to Find Them 5
23	Dune: Part 2
24	Untitled M. Night Shyamalan Thriller
25	The Watchers
26	Spider-Man: Beyond The Spider-Verse

Source: Box Office Mojo

Regulation on regional entertainment tax
Given that local regional authorities hold the autonomy to set their taxes, their taxes for entertainment taxes differ with the maximum applicable tax set at 35%. Pursuant to the government regulation "Undang-udang No. 1 Tahun 2022", Article 58, Paragraph 1, the tax for certain products/services (PBJT – Pajak Barang dan Jasa Tertentu) including entertainment tax would be capped at 10% - effective from Jan24. Blended entertainment tax rate applicable for CNMA in FY20/21/22 stood at 11.0/11.0/11.0%. On top of lowering the entertainment tax rate to 10%, this regulation would smoothen CNMA's expansion by eliminating the negotiation process with regional governments on applicable tax rate.

Movie-going as an affordable entertainment activity relatively
According to Euromonitor survey conducted in Jan23 (total 300 respondents in Indonesia who have visited cinema at least once in the past 6 months, on natural fallout basis. Q: How regularly do you go to the cinema?), Indonesians generally visit cinemas regularly, with >76% reported frequenting the cinemas at least once a month. Relative to other forms of entertainment such as going to the theatre, going for a cooking/art class, or going to live concerts, movie-going is considered an affordable and cost-effective entertainment option with average Indonesian ticket price ranging from Rp30,000-60,000 as of Feb23, according to Euromonitor.

Fig. 34: Average cost by entertainment activity type (Rp. '000s)

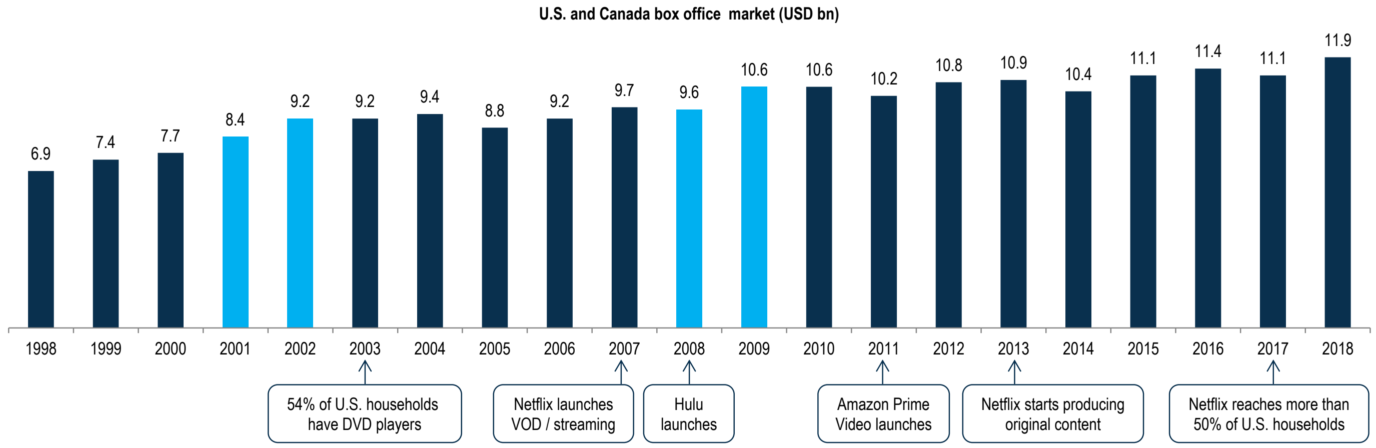


Source: Euromonitor,

Movie-going culture has proven to be resilient
The film industry origination dates back to the late 19th century and have since developed and thrived to become a key element in the modern population's entertainment industry. Cinemas have been the first medium of choice of production houses to exhibit and monetize their movies. Prior to the rise of OTT, developments in cinema alternatives (typically after an exclusive window period of cinema release – typically 45 days for Hollywood movies, which can be extended for tentpole movies, while domestic movies' exclusive window is 120 days, according to Euromonitor. include laser discs, CDs and DVDs. Subsequently, OTT platforms such as Netflix launched VOD/streaming services in 2007. In spite of the various cinema alternatives, cinemas have thrived due to the exclusive window period of movie releases and the unique experience they offer to customers in viewing the movies.

Interestingly, the movie industry in the USA and Canada have shown resilience and continued to grow even during the recession years in 2001-2002 and 2008-2009 (Fig. 35).

Fig. 35: U.S. and Canada box office market performed steady growth even as multiple generations of cinema alternative technologies have launched and matured



Source: AMC

Rising Over-the-top (OTT)

The rising prominence of OTT including video-on-demand services (VOD) has made them viable film release platforms. Nonetheless, we believe that film producers would still pick cinemas as their first release choice, especially for blockbusters and franchise films. Cinema's ability to draw large movie-going crowds also allows production houses to better monetize their content, in-line with box office admission (revenue sharing scheme instead of selling to OTT provider with no upside).

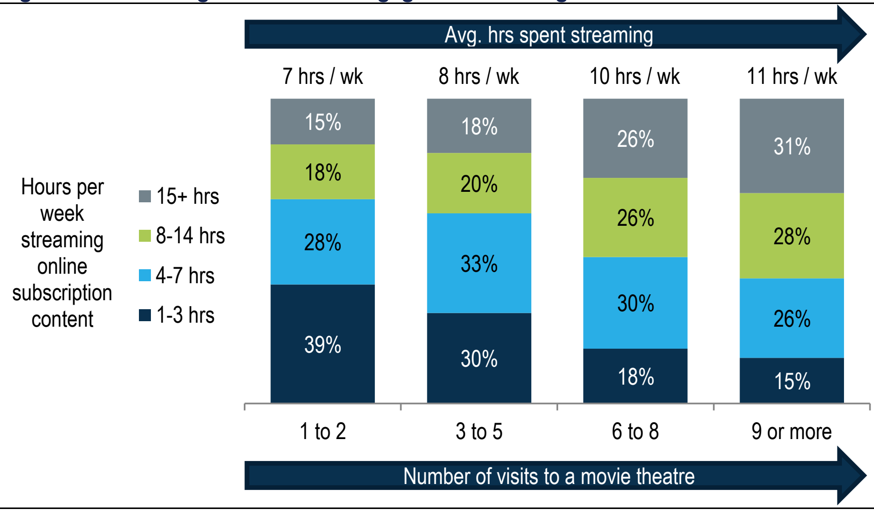
Additionally, releasing movies simultaneously in cinemas and OTT may not be the best idea as a recent 2021 case on simultaneous release (zero window) with Black Widow saw its box office decline 67% in the second week of release, according to Euromonitor. On top of that, the film was plagued with piracy issues.

Post pandemic, this led movie producers to revert back to the 45-day exclusive theatre release window and even extending cinema windows for tentpole movies. On the other hand, local film producers have generally agreed on a 120-day exclusive window for theatre release, according to Euromonitor.

According to a Euromonitor online consumer survey on movie going trends, consumers tend to prefer watching blockbuster movies in cinemas compared to other platforms. On the other hand, OTT platforms are popular and viewed primarily for series contents over blockbusters.

Interestingly, a study conducted by AMC public filing indicates that avid users of OTT platforms are in fact, active movie goers too. Additionally, the time spent on streaming through OTT by users also correlate proportionally to the frequency of their visits to a movie theatre. These facts suggest that OTT platforms and cinemas can co-exist and may be mutually beneficial (for eg. Movie trailers ads on OTT platforms earning OTT platforms advertisement revenue while serving as an effective tool to promote and garner movie blockbusters release).

Fig. 36: Avid moviegoers are more engaged in streaming

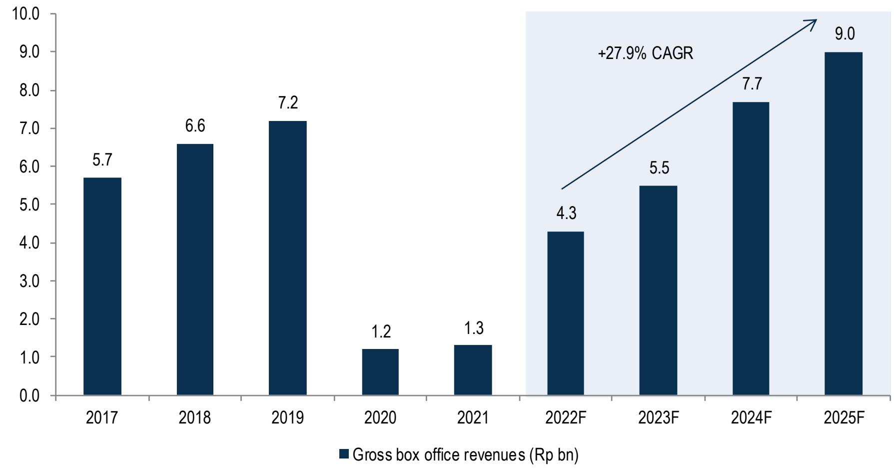


Source: AMC

Indonesia GBO revenue set to grow robustly

In sum, the combination of macroeconomic tailwinds and cinema industry specific drivers would lead to Indonesia's GBO industry revenue growth of 27.9% CAGR between FY22 to FY25F, according to Euromonitor.

Fig. 37: Indonesia gross box office revenues



Source: Euromonitor

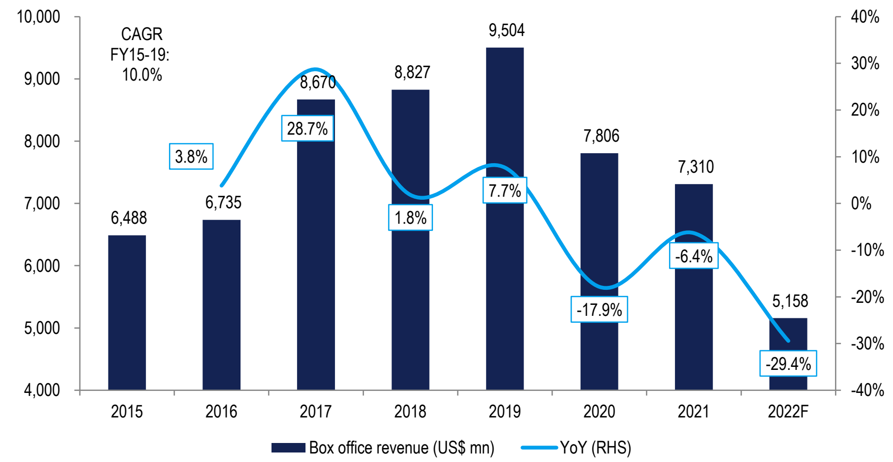
Case study: China's expansion to lower tier cities

Case study objective

CNMA's expansionary plans would heavily involve going into Tier-2 and Tier-3 cities in Indonesia. Tier-2 and tier-3 cities would account for 51.2/61.7% of the total number of screens CNMA intends to roll-out in FY23/24F.

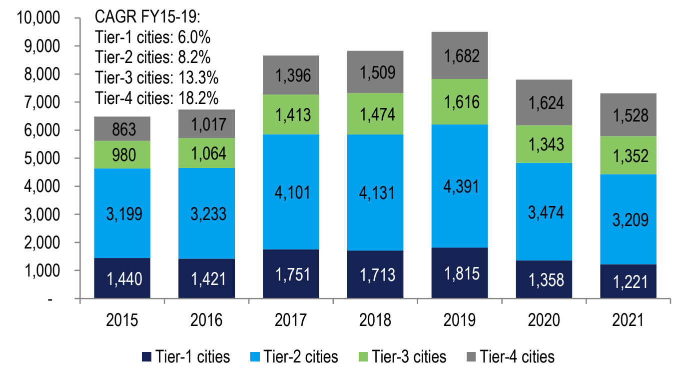
With that we conduct a case study in China to analyse the impact of rising box office revenue contribution from lower tiered cities to the competitive dynamics and profitability metrics of the market leader (Wanda Films).

Fig. 38: China's box office market size



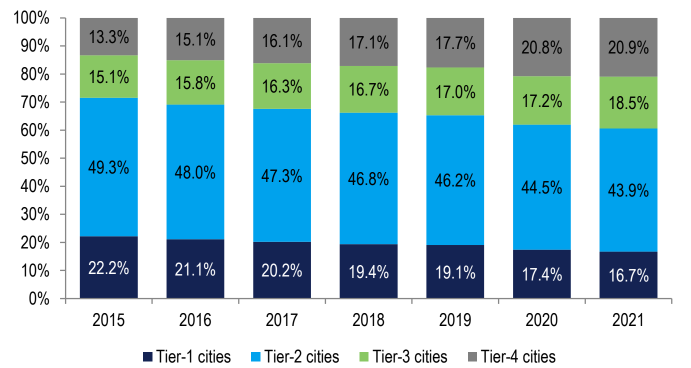
Source: Euromonitor

Fig. 39: China's box office revenue breakdown per tier cities



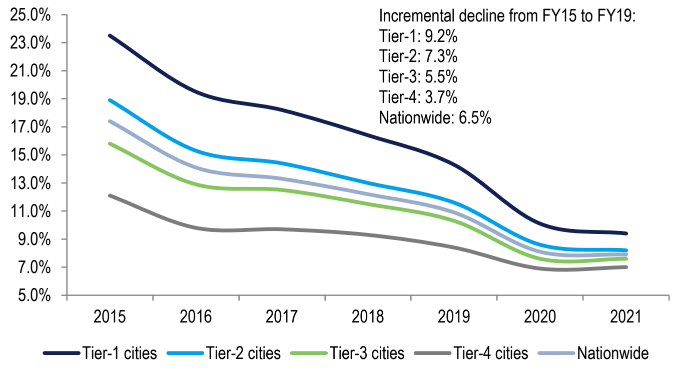
Source: Euromonitor, Taopiaopiao

Fig. 40: China's box office revenue contribution per tier cities



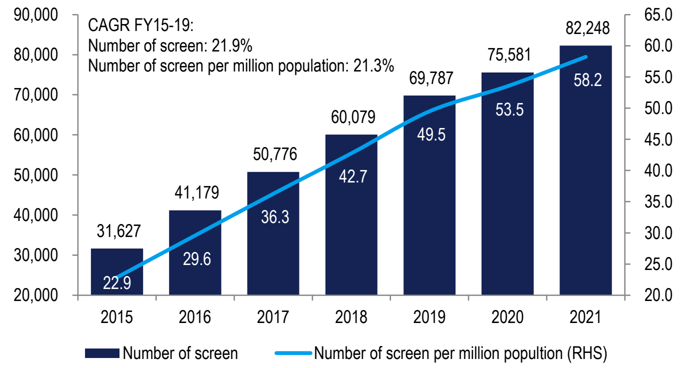
Source: Taopiaopiao

Fig. 41: China's cinema occupancy rate per tier cities



Source: Taopiaopiao

Fig. 42: China's screen count and penetration



Source: Wanda company filings

China's pre-covid box office growth driver fuelled from lower tier cities
During pre-pandemic period, China's box office revenue has reached US$9.5bn in FY19 with CAGR of 10.0% in FY15-19 (according to Euromonitor) which was driven by an addition of number of screens at CAGR of 16.5% in FY15-19 (according to Wanda & Guang Zhou Jin Yi company filings).

In addition according to Taopiaopiao we observed that China's box office revenue growth engine came from third-tier and fourth-tier cities with tier-3 and tier-4 cities booking CAGR of 13.1/17.9% in FY15-19. As a result, tier-3 and tier-4 cities has gained bigger proportion from tier-1 and tier-2 city, whereby combined tier-3 and tier-4 cities' market share has increased from 28.5% in FY15 to 34.5% in FY19.

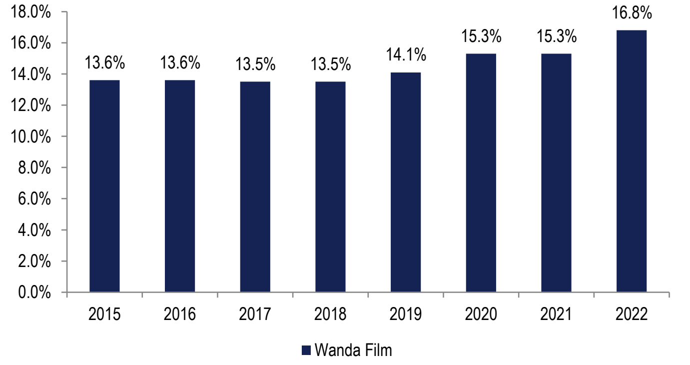
The higher spending on lower tier cities (3^{rd} & 4^{th}) was due to the rise in number of households with annual disposable income of RMB140k-300k in lower tier cities with CAGR of 38% in FY10-18 (vs. higher tier cities of 23%) on the back of better infrastructure facility, according to Mckinsey. As a result, we believe Chinese cinema operators that expanded into lower tier cities (3^{rd} & 4^{th}) could experience a robust top-line growth.

Tier 3-4 proved to be more resilient
Along with higher industry box office contribution arising from lower tiered cities, we noted that Wanda (China's largest cinema operator, according to Wanda company filings and Taopiaopiao) maintained its leadership position with market share of 13.6% in FY15 vs 14.1% in FY19. In addition, we notice that its cinema GPM decreased from 25.0% in FY15 to 6.6% in FY19 however we think the GPM compression was a result of a rapid addition of screens on the back of already high screen penetration, resulting in lower average revenue per screen of CNY1.0mn/annum in FY19 vs. CNY3.8mn/annum in FY15, according to Wanda company filings.

We also note that the decline in occupancy rate nationally (Fig. 44) was observed the sharpest in Tier-1/Tier-2 cities at 920/730bps compared to Tier-3/Tier-4's occupancy rate decline of 550/370bps (according to Taopiaopiao).

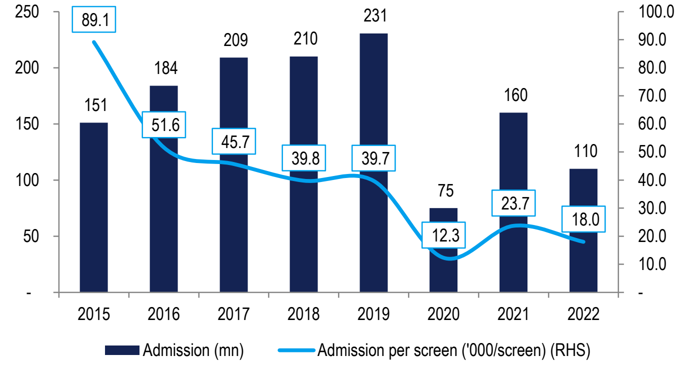
Nevertheless, we note that other business segments such as merchandise and catering service, along with advertisement were the profit drivers over its cinema segment (according to Wanda company filings) – similar to CNMA's F&B segment.

Fig. 43: Wanda Film still maintain its market share



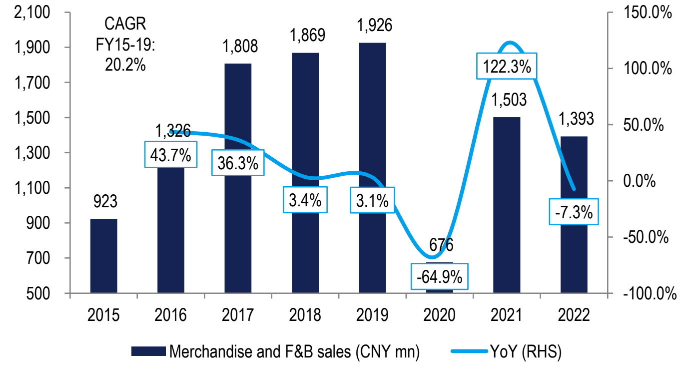
Source: Wanda Film company filings

Fig. 44: Wanda Film's admission per screen ('000/screen)



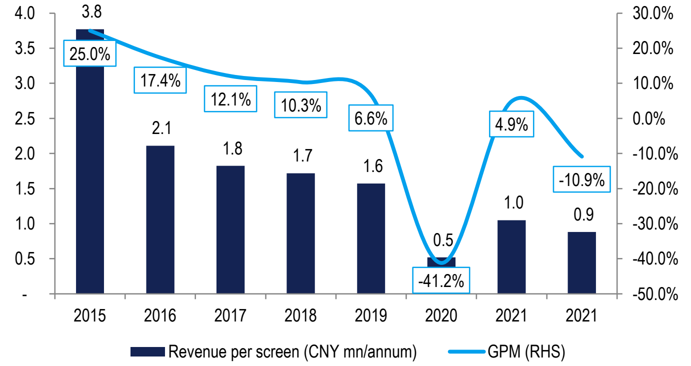
Source: Wanda Film company filings

Fig. 45: Wanda Film's movie segment



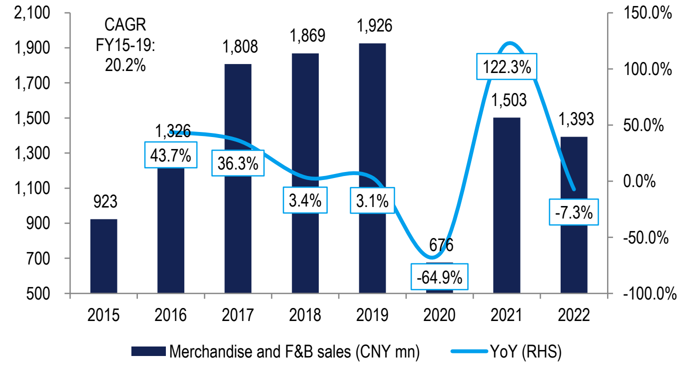
Source: Wanda Film company filings

Fig. 46: Wanda Film's revenue per screen vs. its cinema GPM



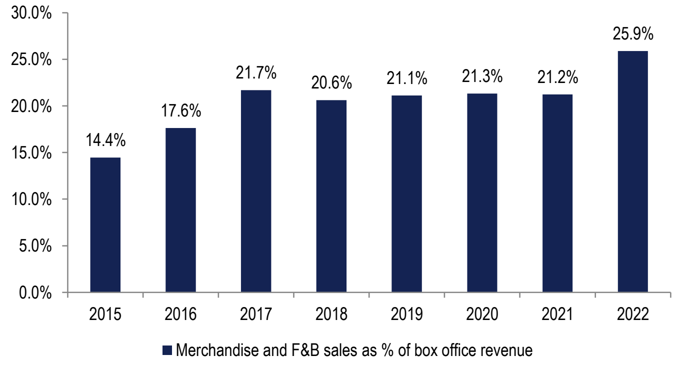
Source: Wanda Film company filings

Fig. 47: Wanda Film's merchandise and F&B sales



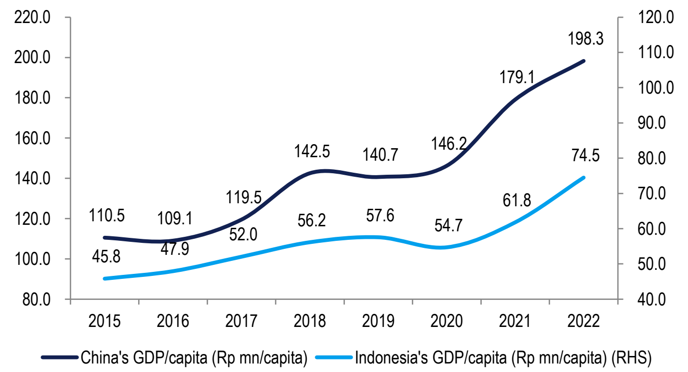
Source: Wanda Film company filings

Fig. 48: Wanda Film's merchandise and F&B sales as % of box office revenue



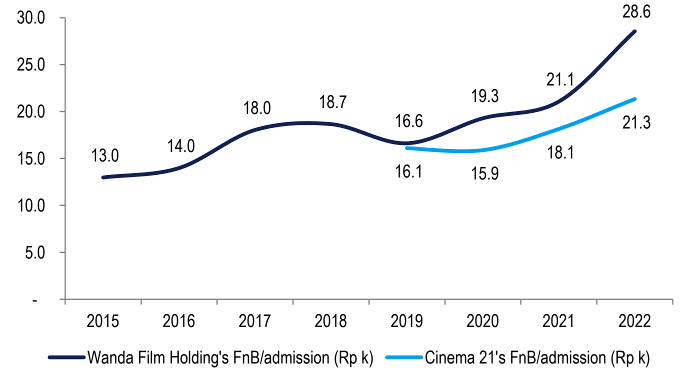
Source: Wanda Film company filings

Fig. 49: China GDP/capita vs. Indonesia's (Rp mn)



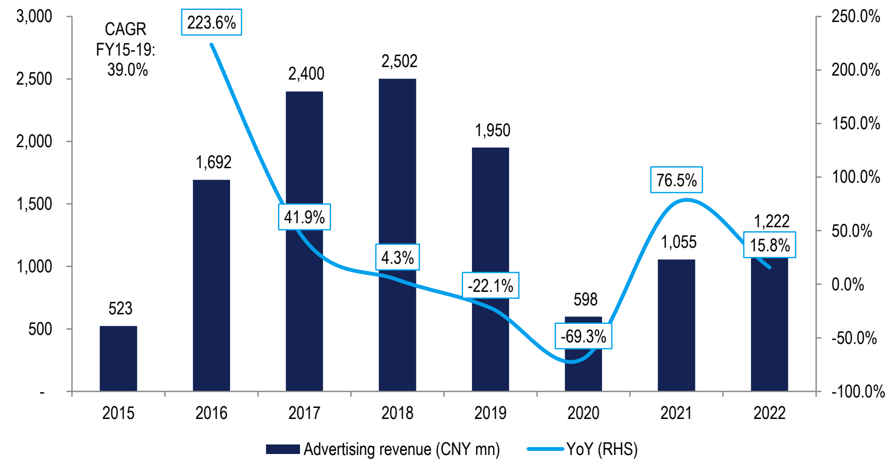
Source: Euromonitor

Fig. 50: Wanda Film's merchandise and FnB sales/admission vs. CNMA's



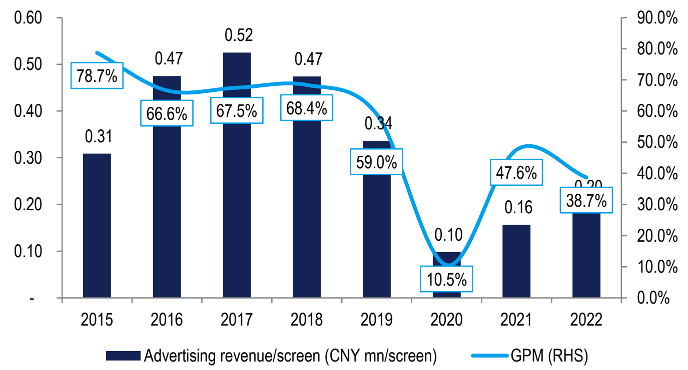
Source: Wanda Film company filings, Company

Fig. 51: Wanda Film's merchandise and catering sales



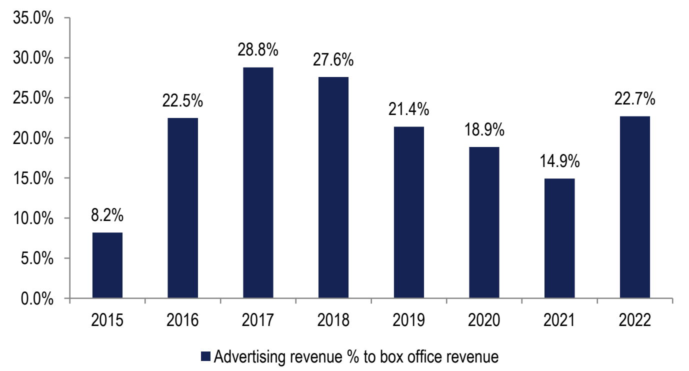
Source: Wanda Film company filings

Fig. 52: Wanda Film's advertising revenue/screen vs. its GPM



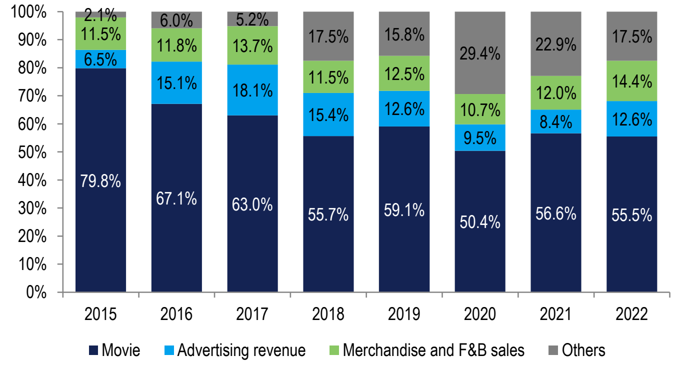
Source: Wanda Film company filings

Fig. 53: Wanda Film's advertising revenue % to box office revenue



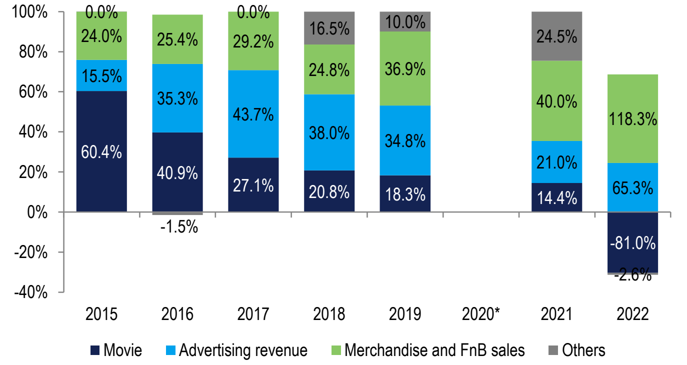
Source: Wanda Film company filings

Fig. 54: Wanda Film's segmental sales contribution



Source: Wanda Film company filings

Fig. 55: Wanda Film's gross profit contribution (GPM/segment)



Source: Wanda Film company filings
**Wanda Film recorded net loss of GP*

Competitive landscape

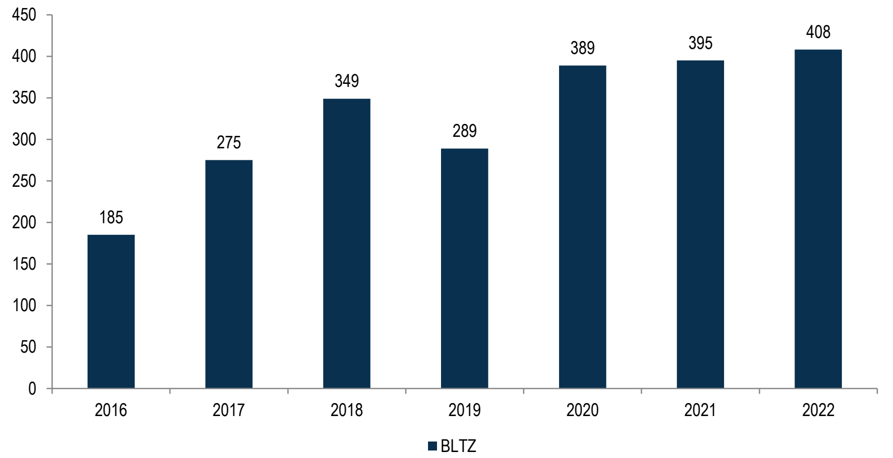
Oligopolistic cinema industry

In Indonesia, according to Euromonitor the cinema industry is dominated by the top three players making up close to 90% of total cinema screens in the market as of FY21. CNMA as the largest player commands 70/69/58% of gross box office/admissions/screen market share. CNMA's gross box office in FY21 is c.5x that of CGV's (#2 player), according to respective company filings. Due to the highly consolidated nature of the market, smaller cinema players have to find their own market niche. For instance, Flix's operations are in the premium customer segment space, while other players like Kota Cinema and Platinum are operating in the lower-tier cities.

CGV Cinemas: BLTZ, well known as CGV cinemas was established in 2004 by a group of investors that have diverse experience in a range of business spanning from property development, entertainment and entrepreneurship. Its first cinema was opened in 2006 at Paris Van Java, in the city of Bandung. In 2014, the company went for a public listing with collaborations from one of the globally renowned cinema operators from South Korea, CJ CGV. Following the removal of cinema from negative investment list (Daftar Negatif Investasi – DNI) in 2016, CGV increased their stake in BLTZ to 51% as of December 2016. As of FY21, CGV booked a gross office revenue of Rp190bn (21% of CNMA's GBO), with a total screen count of 397 (33% of CNMA's).

Pre-pandemic, BLTZ has expanded aggressively between FY16-19 with a total screen addition of 204, representing 110% of FY16 total screen count of 185. While the cinema industry is expected to resume its expansionary mode in screen addition post the pandemic, we note that BLTZ may face issues with its high gearing ratio of 3.8x as of FY21. With its parent company CJ CGV also being highly geared (FY21 gearing of 10.7x), we do not expect a very aggressive expansionary stance from BLTZ in the near future.

Fig. 56: BLTZ historical screen count



Source: Graha Layar Prima company filings

Cinepolis: Cinepolis is a rebranding of Cinemaxx that was initially established by the Lippo Group in 2014. It has 59 cinemas and 302 screens as of 2021. Cinepolis initially invested in Cinemaxx in 2018 with a significant minority stake but later raised its stake in Cinemaxx to 40% in 2019.

CNMA's Competitive strengths

Cinema market leader with strong brand equity
As of FY21 according to Euromonitor, CNMA is the largest cinema chain operator in Indonesia in terms of gross box office (GBO) collections (70% market share), number of admissions (69% market share), number of screens (58% market share, whereby CNMA had five times the GBO collections, and 1.6x the GBO collections per screen compared to its nearest competitor. Additionally, the Euromonitor survey also showed that 80% of respondents indicated CNMA is the first cinema brand that comes to mind when associated with movies and 97% of the respondents recognize the brand.

CNMA's traffic generating ability and long-standing relationships with mall developers allows CNMA to secure prime locations
As an attractive tenant that can generate traffic in less favourable spaces (typically higher floors) with strong brand equity, CNMA is considered as anchor tenant by mall operators. As CNMA's the top-of-mind cinema operator in Indonesia (according to Euromonitor), they are often viewed as the preferred choice of cinema to attract traffic by mall operators. This allows them to select and secure prime cinema locations. Given that relationships with mall-operators such as Pakuwon Jati and Jakarta Intiland are long-standing due to the long term nature of the leases agreements, it creates a natural barrier of entry once a prime location has been secured. Additionally, these relationships also open CNMA to potential tenancy opportunities in upcoming malls.

Industry landscape granting CNMA favourable rental rate
The mall ownership dynamics is rather fragmented in Indonesia. On the other hand, cinema operators' competitive dynamics is far more concentrated with c.90% of the industry GBO revenue dominated by the top 3 players – and CNMA dominating the space with 70/69/58% of gross box office/ admissions/ screen market share as of FY21. Given that cinemas are extremely good traffic generators despite occupying less favorable spaces (typically on the higher floors or close to car parking areas), they are able to leverage on the fragmented mall ownership for favorable rental agreement – CNMA's pre-pandemic (FY19) rental to sales ratio of 4.3% is far lower compared to peers such as PVR with 20.4%.

The market dynamics in Indonesia is quite different with other countries such as the Philippines where there are only 3 dominant mall operators, each with their own cinema operator extension. Another case study in India indicates both mall operators and cinema operators to be fragmented – granting neither side favorable bargaining power.

Innovative DNA placing CNMA at the forefront of industry technology advancement
CNMA has been at the forefront in introducing advanced technology to enhance customer's experience. CNMA introduced Indonesia's first premium format cinema studios with reclining seats – "The Premiere" – in 2003. Additionally, CNMA was the first cinema operator in SE Asia to fully adopt digital cinema system (from celluloid film technology) in 2012.

IMAX: CNMA introduced the first IMAX cinema in an Indonesian mall in 2012. As of 31 Dec 22, CNMA operated 9 IMAX out of 10 IMAX theatres in Indonesia. In 2020, CNMA was the first cinema operator to introduce laser projectors in IMAX cinemas in Jakarta.

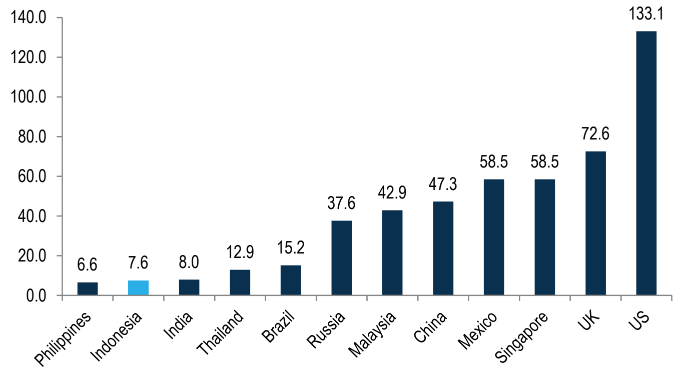
Ticketing platforms: CNMA had also launched two mobile ticketing platforms – m.tix and TIX.ID. Launched in 2006, m.tix allows customers to book tickets via SMS. In 2013, m.tix became one of the first mobile ticketing applications on the Apple App store. On the other hand, Tix.id was launched in 2018 with an external partner as a mobile movie ticketing aggregator. It is the only aggregator that carries CNMA's inventory. CNMA provides their ticket inventory exclusively to m.tix and TIX.ID – providing a natural advantage over other movie ticketing platforms given CNMA's dominant market share in GBO collections. As of FY22, m.tix and TIX.ID contributed to 20.8% and 21.7% of CNMA's GBO revenue respectively. Sales of advanced tickets are also sold exclusively via the two digital mobile ticketing apps.

Company growth strategy

Expanding cinema network in Indonesia
Indonesia's cinema industry is expected to experience significant growth in the coming years. With only 7.6 screens per million population (according to Euromonitor), Indonesia's screen penetration is significantly lower than that of other countries, leaving ample room for growth. According to Euromonitor, gross box office collections projected to rise from Rp4.3tr in 2022 to Rp8.9tr in 2025, at a CAGR of 27.8%. The growth is supported by rising income levels, increasing middle- and high-income populations, and growth in consumer expenditure.

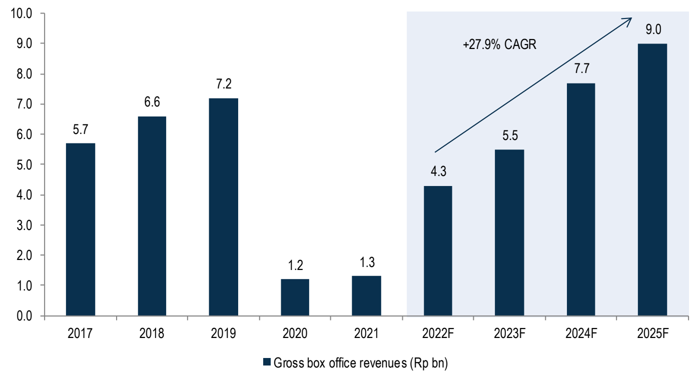
As a market leader, CNMA could leverage its strong relationships with mall developers to choose the best location for cinema and screen expansion opportunities. It plans to continue pursuing organic expansion in Tier 1 cities, by providing more premium and luxury offerings. It also believes there are opportunities to expand in Tier 2 and Tier 3 cities, where rising disposable income and increased consumption expenditure are expected to promote demand for discretionary goods and services including entertainment. Overall, CNMA plans to add approximately 78/142 new screens in FY23/24 (31 in 1H23) and aims to grow its gross box office market share to c.75% over the next three to five years.

Fig. 57: Number of screens per million population in 2022F



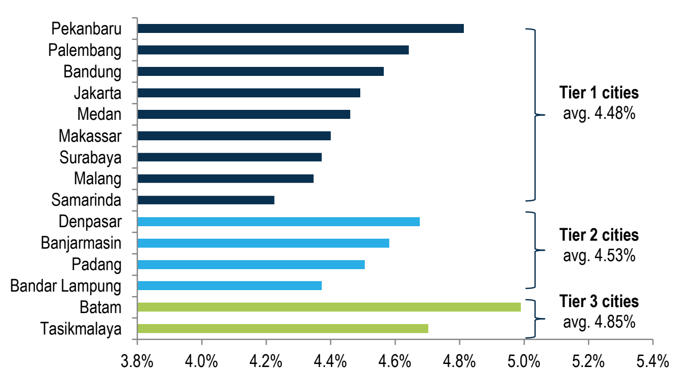
Source: Euromonitor

Fig. 58: Indonesia gross box office revenues



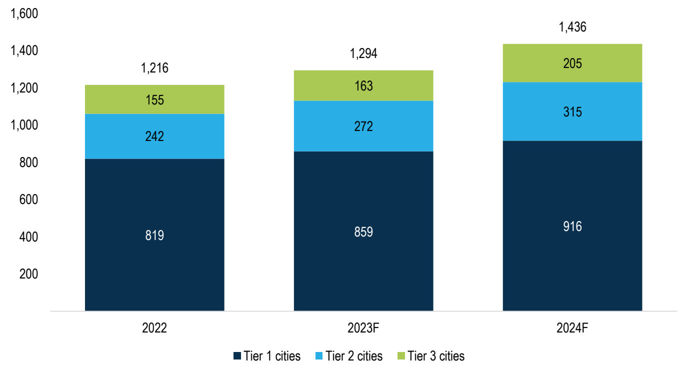
Source: Euromonitor

Fig. 59: Disposable income 2022-25 CAGR by key cities in Indonesia



Source: Euromonitor

Fig. 60: CNMA number of screens by city tier



Source: Company

Fig. 61: Mall project under construction in Greater Jakarta and Surabaya

No.	Mall project	Region	Developer	Construction year	Net Leasable Area (sqm)
1	Lippo Mall East Side (w ithin Holland Village)	Central Jakarta	Lippo Karaw aci Tbk	2023	44,000
2	Agora (w ithin Thamrin Nine)	Central Jakarta	Putragaya Wahana	2023	41,758
3	Bintaro x'Change 2	Tangerang	Bintaro Jaya	2023	51,000
4	Pakuw on Mall Bekasi	Bekasi	Pakuw on	2023	40,000
5	Cibinong City Mall 2	Bogor	Puri Wahid Pratama	2023	32,500
6	Samanea (Capital Square)	South Surabaya	Greenw ood Sejahtera	2023	8,500
7	Pakuw on City Mall (East Coast Centre 3)	East Surabaya	Pakuw on	2023	36,920
8	Menara Jakarta Shopping Mall	Central Jakarta	Agung Sedayu Permai	2024	90,360
9	Aeon mall Deltamas	Bekasi	AEON & Deltamas	2024	90,000
10	Lagoon Avenue Dharmahusada	East Surabaya	PP Properti	2024	12,545
11	Living World at Kota Wisata	Bekasi	Sinarmas Land	2025	80,000
12	Metrostater Depok	Depok	Andyka Investa (Trivo Group)	2025	30,000
13	Citraland CBD Mall	West Surabaya	Ciputra Surya Tbk	2025	36,000

Source: Colliers

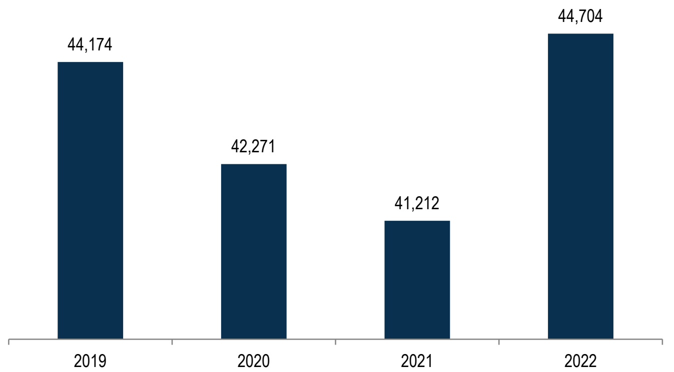
Optimizing box office revenue

CNMA aims to continue to leverage on market and brand leadership position to maximize its gross box office collections by increasing average ticket prices over time. CNMA intends to increase their box office revenue by increasing occupancy rates at existing cinemas by using dynamic ticket pricing (based on location-wise competition prices) and through marketing initiatives promotions.

The development and growth of the domestic movie industry and increased releases of domestic movies also further drives viewership in tier 2 and 3 cities, which typically have a stronger preference towards watching domestic movies. For instance, in May22, when an international blockbuster and a domestic movie were released in the same month, the admissions for domestic movies were higher than those for the international film in tier 2 and 3 cities. Specifically, the admissions for domestic movie content in May22 were 65.2% and 64.9% in tier 2 and 3 cities, respectively.

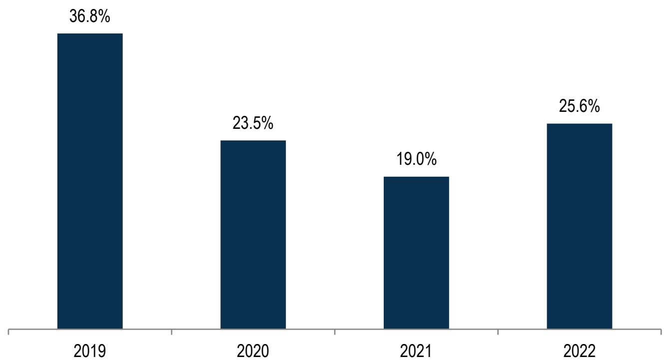
By focusing on and further strengthening presence in Tier 2 and Tier 3 cities, CNMA could benefit from exhibiting more domestic movies which are typically shorter in duration than foreign productions, allowing for more movie runs per screen per day.

Fig. 62: CNMA average ticket prices



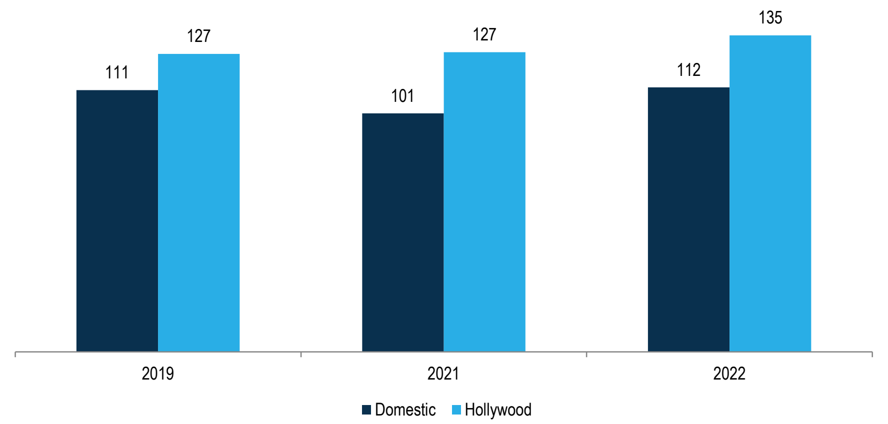
Source: Company

Fig. 63: CNMA occupancy rate



Source: Company

Fig. 64: Average movies length on top 15 grossing movies in 2019-2022 (in minutes)

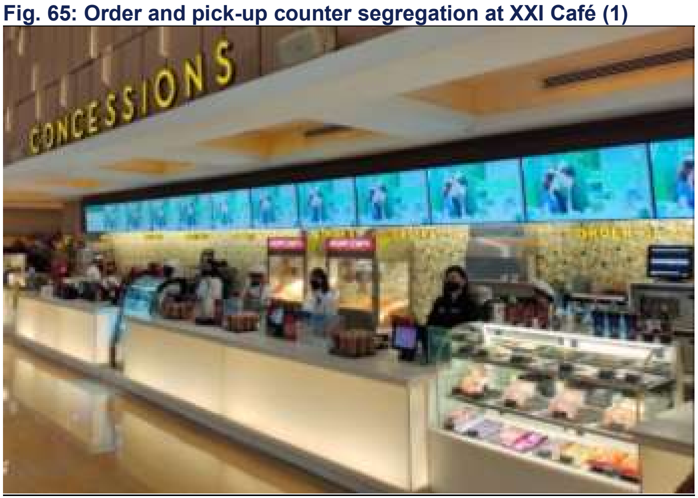


Source: IMDb

Continuous optimization of F&B revenues and costs

We believe the golden time window for F&B transactions is c.20 minutes before the movie starts. To maximise this and close as much transaction as possible, there are a few initiatives introduced to reduce the queue line. CNMA has designated F&B pick-up counters (separate from order counters) to reduce customers' waiting time; and collaborate with 3rd party partners e.g. banks, to offer attractive F&B promotion package.

Fig. 65: Order and pick-up counter segregation at XXI Café (1)

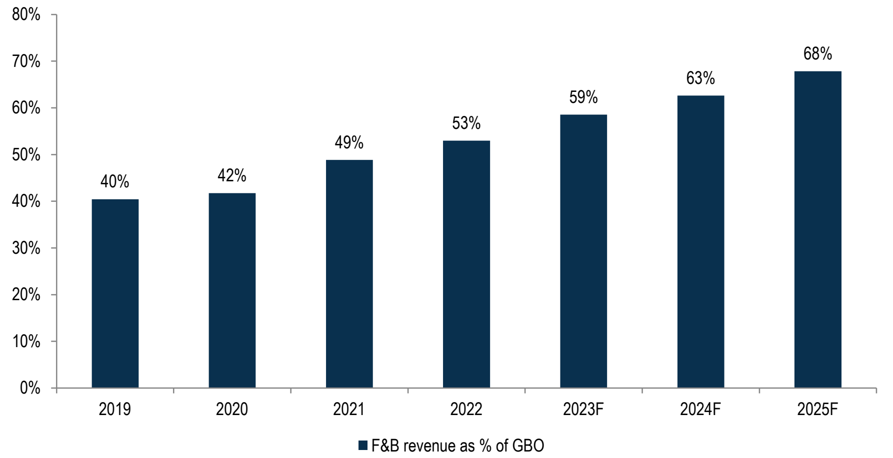


Source: Indo Premier

Fig. 66: Order and pick-up counter segregation at XXI Café (2)

Source: Indo Premier

Fig. 67: CNMA's F&B contribution as % of net cinema revenue



Source: Company,FY23-25F are based on Indo Premier forecasts

Additionally, CNMA also sell a pre-packed product (ie. Popcorn Caramel) through online platform and intend to roll out more pre-packed products while also widening its distribution channels to include more online platforms, and may consider offline mediums such as supermarkets and stores.

The company also plans to undertake digitization in both sales channels and operations, including further refining its m.food platform and replicating the model of m.food on its TIX.ID platform. Implementing such strategies will help the company to reduce the queue line and close as much transaction as possible before the movie start, hence higher F&B penetration rate and spend. At the same time, further cost rationalization will be through the utilization of central kitchens and increased bargaining power as the platform scales further.

Fig. 68: Sample of different F&B offerings across brands

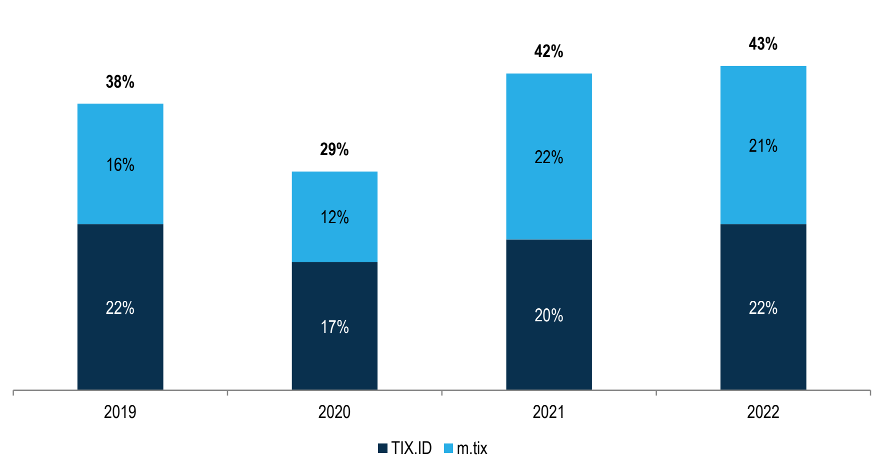
Source: Company

Enhancing use-cases on CNMA's digital platforms

Following the success of m.tix and TIX.ID (42.3% of ticket sales were distributed online in 2022), CNMA intends to continue increase the usage of its digital booking platforms. One way of doing it is by providing more payment options and consolidates all promotions onto the platform to encourage customers to purchase tickets online.

Furthermore, CNMA envisions TIX.ID to become a one-stop shop for the entertainment ticketing needs of Indonesians by adding new type of offerings on the platform, such as concerts tickets. If successful, this will broaden TIX.ID' scope of services and generate more income.

Fig. 69: m.tix and TIX.ID contribution to total ticket sales



Source: Company

Fig. 70: Enhancing use-cases of m.tix and TIX.ID to become a holistic digital entertainment ticketing platform

Source: Company
1: Future initiatives

Risks

Film release delays due to ongoing Hollywood writers & actors strike
Ongoing strikes involving two unions – Screen Actors Guild (SAG- AFTRA) and Writes Guild of America (WGA), which started on 14th of Jul23 and 2nd of May23 respectively, against the Alliance of Motion Picture and Television Producers (AMPTP). The main points in the SGA/WGA strike include greater residuals from streaming media, and a more governed use of AI as a facilitative tool. Previously, WGA strikes occurred in 2007-2008/1988/1981 and lasted for 99/154/92 days.

The first dual strike in 63 years against AMPTP means that SAG/WAG members cannot act/write for AMPTP – which comprise of the major studios or the Big Five Studios (Universal, Paramount, Warner Bros, Walt Disney and Sony Pictures). This comes with significant potential economic consequences in the form of delayed film release for the cinema industry. Thus far, notable film delays include Dune: Part 2, Kraven the Hunter, Ghostbuster and Challenger for 2023 release (postponed to 2024). For 2024 release, we note the potential delays as follow: Avatar 3 (Dec24 to Dec 25), Fast & Furious XI (Apr24 to Apr25), among others – and still counting.

Pandemic risk: Film slate release dependence
CNMA's cinema admissions rely on the availability of movies that garner high viewing interest and these are often with the reputation and track record of the movies' production houses. Disruptions or challenges faced by production houses in creating movies may have a negative impact on cinemas' admission outlook, which may be beyond the control of CNMA's management. A recent example is over the pandemic whereby the number of both imported and domestic film slates production declined compared to pre-pandemic level.

Pandemic risk: Social and mobility restriction
During the pandemic, the social and mobility restrictions on cinema and mall operating hours have significantly reduced the admissions to CNMA's cinemas in FY20/21/22 by -81.8/-80.0/-40.0% compared to FY19's admission. If a similar situation were to be replicated in the future (due to pandemic, etc), the operational and financial implications to CNMA would be detrimental.

Macroeconomic slowdown in growth
In the event of an economic slowdown, we view that CNMA's F&B revenue growth expectation may not be met. Given that F&B carries a higher gross profit margin over cinema box office, CNMA's overall profitability outlook may be impaired from a slowdown in macroeconomic growth.

Anti-competition/monopoly risk
Given CNMA's dominance within the cinema industry with 70/69/58% of gross box office/ admissions/ screen market share as of FY21 (according to Euromonitor), CNMA may be under the watchful scrutiny of KPPU (Primary enforcement body of the anti-monopoly Law). The anti-monopoly law was laid out in Law 5/1999 (UU 5 tahun 1999), but was subsequently revised in the Omnibus Law on job creation (UU Ciptaker). If the company were to be found to be engaged in monopolistic practices that lead to unhealthy competition, among others, it faces the risk of having its operations suspended, along with a monetary fine of a minimum amount of Rp1bn. Nonetheless, we view that anti-monopoly law prohibits monopolistic practices, and it does not pertain to natural monopoly/control in the market.

Reliance on mall spaces for operations/expansion

CNMA relies heavily on mall for its ongoing operations and future expansion. Almost all of its 225 cinemas are located in malls, except for Metropole XXI, Empire Jogja XXI and Holywood XXI as of FY22. As such, the continuity of CNMA's cinema operations and future expansion relies on agreement with mall operators. Risks may lie in non-extension if mall operators decided to offer CNMA's space to other tenants (for a higher rental fee, for instance) upon lease expiry. Nevertheless, we note that mall operators do not only consider the rental rates from cinema operators but also its traffic generating ability.

Additionally, CNMA's future expansion may risk being limited by the availability of new mall developments. However, the developments of new malls have far outpaced the expansion of cinemas in the past decade. On top of that, we also note that there are a total of 649 malls in Indonesia as of 2020, while the total number of cinemas was 424 (2020), according to BPS – implying that there are plenty of malls which have yet to offer spaces for cinemas.

OTT platforms providing cinema alternatives may cap cinema occupancy rate

Although we have discussed extensively that the cinema industry and OTT are not mutually exclusive given the exclusive theater window for movie releases; OTT users' primary consumption in series contents rather than films; and the fact that avid OTT users are also movie-goers, the availability and affordability of OTT services may potentially cap the occupancy rate recovery of cinemas.

Comparison with peers (Dupont Analysis)

We analyzed CNMA's financial metrics and compared it to other listed global cinema operators (Full list in Fig. 18). Among these listed global cinema operators, CNMA emerged as one of the most healthy and profitable among peers. According to Bloomberg data, most global cinema peers are heavily geared with average net gearing ratio standing at 2.6/5.6x in FY19/22, in contrast with CNMA's net cash balance sheet – implying CNMA's favorable positioning against the current backdrop of rising interest rates globally.

In terms of profitability, CNMA leads the recovery from the pandemic with the highest positive net profit margin of 10.5% in FY22, followed by global peers such as Kinepolis' 5.5% (Germany) and Major Cineplex' 3.9% (Thailand) in FY22, while the rest of the global peers are still booking net losses (Fig. 12-13).

Additionally, our Dupont analysis for CNMA and its global cinema peers also indicate CNMA with relatively higher ROE. Apart from having one of the highest profitability profile, CNMA also commands the highest asset turnover among peers, both pre-pandemic in FY19 at 1.2x vs. peers' average of 0.6x and in FY22 at 0.7x vs. peers' average of 0.5x (Fig. 12-13).

Going forward (FY23-25F), we believe that CNMA is poised to grow faster than peers given Indonesia's relatively underpenetrated industry landscape and conducive macroeconomic backdrop (rising discretionary income/capita). Additionally, CNMA's strong cash flow generation ability and healthy balance sheet means that it would be able to fund its expansionary capex fully from its operational cash flow, while heavily geared cinema peers may struggle financially with ballooning finance costs as interest rates rise.

Fig. 71: ROE Comparison

	2019	2020	2021	2022	2023F	2024F
Cinema XXI (Indonesia)						
Net Profit Margin	17.4%	-44.8%	-27.4%	10.5%	12.4%	17.8%
Asset Turnover	1.2	0.2	0.2	0.7	0.7	0.9
Equity Multiplier	1.3	1.4	1.6	2.1	1.9	1.5
ROE	**26.9%**	**-13.0%**	**-9.1%**	**14.7%**	**17.6%**	**24.9%**
PVR Cinema (India)						
Net Profit Margin	0.8%	-272.7%	-36.9%	-3.4%	4.5%	7.5%
Asset Turnover	0.6	0.0	0.2	0.4	0.9	1.0
Equity Multiplier	3.8	4.5	4.6	5.5	5.2	4.3
ROE	**1.8%**	**-45.1%**	**-30.5%**	**-8.1%**	**5.0%**	**8.8%**
Wanda Film (China)						
Net Profit Margin	-30.6%	-105.9%	0.9%	-19.8%	7.8%	8.7%
Asset Turnover	0.5	0.3	0.5	0.4	0.5	0.6
Equity Multiplier	1.7	2.0	2.7	3.4	3.5	3.1
ROE	**-28.5%**	**-54.6%**	**1.1%**	**-10.3%**	**14.6%**	**16.4%**
CJ CGV (Korea)						
Net Profit Margin	-7.9%	-110.1%	-41.2%	-14.7%	-4.4%	0.6%
Asset Turnover	0.6	0.1	0.2	0.3	0.5	0.5
Equity Multiplier	5.9	10.0	13.8	10.6	10.0	10.8
ROE	**-26.5%**	**-144.5%**	**-102.9%**	**-47.9%**	**-20.0%**	**3.3%**

Source: Bloomberg, Company, Indo Premier

Fig. 72: ROE Comparison (Cont')

	2019	2020	2021	2022	2023F	2024F
Cinemark (US)						
Net Profit Margin	5.8%	-89.9%	-28.0%	-11.0%	5.7%	5.8%
Asset Turnover	0.6	0.1	0.3	0.5	0.6	0.6
Equity Multiplier	3.5	5.1	9.5	22.1	23.8	13.3
ROE	**13.2%**	**-54.9%**	**-74.6%**	**-119.5%**	**83.8%**	**47.6%**
Kinepolis (Germany)						
Net Profit Margin	9.9%	-39.1%	-9.5%	5.5%	9.0%	12.3%
Asset Turnover	0.6	0.1	0.2	0.4	0.5	0.6
Equity Multiplier	5.1	7.3	9.6	8.5	6.4	4.9
ROE	**28.0%**	**-40.8%**	**-20.6%**	**19.8%**	**31.2%**	**34.1%**
Major Cinplex (Thailand)						
Net Profit Margin	13.2%	-14.0%	52.5%	3.9%	8.1%	9.8%
Asset Turnover	0.7	0.2	0.2	0.4	0.5	0.5
Equity Multiplier	2.3	2.5	2.5	2.2	2.0	1.9
ROE	**19.9%**	**-7.5%**	**22.7%**	**3.5%**	**8.3%**	**9.9%**
Cineplex (Canada)						
Net Profit Margin	1.7%	-150.4%	-37.9%	0.0%	9.3%	4.3%
Asset Turnover	0.7	0.2	0.3	0.6	0.7	0.7
Equity Multiplier	3.9	8.8	(22.8)	(9.9)	(16.2)	(86.5)
ROE	**4.6%**	**-204.5%**	**254.5%**	**-0.1%**	**N/A**	**N/A**

Source: Bloomberg, Indo Premier

Dupont analysis with consumers comps

In addition to comparison with global cinema peers, we further compared CNMA's metrics to Indonesian consumer peers using Dupont analysis. In the pre-pandemic period FY19, CNMA's ROE emerged higher at 27% to consumer peers. On the other hand, CNMA's ROE in FY23F of 18% is slightly lower than consumer peers' average of 22% due to CNMA's sub-optimal recovery in FY23F (vs. pre-pandemic level). CNMA admission recovery to pre-pandemic level is expected only in FY24F, registering a higher FY24F ROE of 25%.

Fig. 73: Indonesian consumer companies valuation table summary

	PE			Net profit growth			PEG			Net profit CAGR	ROE	
	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F	FY22-25F	FY23F	FY24F
ICBP	12.5	11.2	10.1	38.7%	11.1%	11.2%	0.3	1.0	0.9	19.7%	25.2%	24.0%
MYOR	21.2	17.6	15.1	66.6%	20.1%	17.2%	0.3	0.9	0.9	32.9%	20.5%	23.4%
SIDO	17.3	16.0	14.9	-5.5%	8.2%	7.7%	(3.1)	2.0	1.9	3.3%	29.8%	32.0%
CMRY	23.8	19.0	15.3	21.0%	25.0%	24.0%	1.1	0.8	0.6	23.3%	21.5%	22.8%
Simple average	**18.7**	**16.0**	**13.9**	**30.2%**	**16.1%**	**15.0%**	**(0.3)**	**1.1**	**1.1**	**19.8%**	**24.3%**	**25.6%**
AMRT	36.1	29.6	24.4	16.8%	21.9%	21.6%	2.1	1.4	1.1	20.1%	27.9%	28.8%
ACES	21.5	19.5	17.7	-4.3%	9.8%	10.2%	(5.0)	2.0	1.7	5.0%	10.7%	11.5%
MAPI	15.6	12.8	10.9	10.1%	22.4%	17.1%	1.5	0.6	0.6	16.4%	21.0%	20.7%
Simple average	**24.4**	**20.6**	**17.7**	**7.5%**	**18.0%**	**16.3%**	**(0.4)**	**1.3**	**1.2**	**13.8%**	**19.9%**	**20.3%**
Consumer avg.	**21.1**	**18.0**	**15.5**	**20.5%**	**16.9%**	**15.6%**	**(0.4)**	**1.2**	**1.1**	**17.2%**	**22.4%**	**23.3%**
CNMA	**34.5**	**16.7**	**13.0**	**43.7%**	**106.3%**	**28.3%**	**0.8**	**0.2**	**0.5**	**56.1%**	**17.6%**	**24.9%**

Source: Company, Bloomberg, Indo Premier

Fig. 74: ROE Comparison

	2019	2020	2021	2022	2023F	2024F
Cinema XXI (CNMA)						
Net Profit Margin	17.4%	-44.8%	-27.4%	10.5%	12.4%	17.8%
Asset Turnover	1.2	0.2	0.2	0.7	0.7	0.9
Equity Multiplier	1.3	1.4	1.6	2.1	1.9	1.5
ROE	**26.9%**	**-13.0%**	**-9.1%**	**14.7%**	**17.6%**	**24.9%**
Sumber Alfaria Trijaya (AMRT)						
Net Profit Margin	1.5%	1.4%	2.3%	2.9%	3.0%	3.3%
Asset Turnover	3.2	3.0	3.2	3.3	3.4	3.5
Equity Multiplier	3.7	3.5	3.2	2.8	2.7	2.6
ROE	**17.7%**	**15.0%**	**23.1%**	**27.9%**	**27.9%**	**28.8%**
Ace Hardware Indonesia (ACES)						
Net Profit Margin	11.9%	9.4%	10.0%	9.3%	8.1%	8.2%
Asset Turnover	1.4	1.1	1.0	1.0	1.1	1.1
Equity Multiplier	1.4	1.4	1.3	1.3	1.2	1.2
ROE	**23.0%**	**14.9%**	**12.8%**	**11.6%**	**10.7%**	**11.5%**
Mitra Adi Perkasa (MAPI)						
Net Profit Margin	4.3%	-3.0%	2.2%	5.8%	5.8%	5.8%
Asset Turnover	1.9	1.0	1.2	1.6	1.5	1.5
Equity Multiplier	2.3	2.7	3.1	2.7	2.5	2.4
ROE	**18.3%**	**-8.4%**	**7.8%**	**24.7%**	**22.1%**	**20.9%**

Source: Bloomberg, Company, Indo Premier

Fig. 75: ROE Comparison (Cont')

	2019	2020	2021	2022	2023F	2024F
Indofood CBP Sukses Makmur (ICBP)						
Net Profit Margin	11.8%	14.2%	12.1%	11.3%	14.3%	14.7%
Asset Turnover	1.2	0.7	0.5	0.6	0.6	0.6
Equity Multiplier	1.6	2.6	3.5	3.3	3.0	2.8
ROE	**21.3%**	**24.2%**	**21.7%**	**20.8%**	**25.3%**	**24.2%**
Cisarua Mountain Dairy (CMRY)						
Net Profit Margin	7.8%	9.5%	19.3%	16.6%	16.5%	16.8%
Asset Turnover	1.9	2.0	1.2	1.1	1.3	1.4
Equity Multiplier	1.5	1.5	1.2	1.2	1.0	1.0
ROE	**21.4%**	**27.4%**	**29.1%**	**21.3%**	**21.5%**	**22.8%**
Industri Jamu dan Farmasi Sido Muncuk (SIDO)						
Net Profit Margin	26.3%	28.0%	31.4%	28.6%	28.0%	28.7%
Asset Turnover	0.9	0.9	1.0	1.0	0.9	1.0
Equity Multiplier	1.2	1.2	1.2	1.2	1.2	1.1
ROE	**27.1%**	**29.7%**	**37.7%**	**32.8%**	**28.9%**	**32.0%**
Mayora Indah (MYOR)						
Net Profit Margin	8.4%	7.9%	4.0%	5.2%	7.8%	8.5%
Asset Turnover	1.4	1.3	1.4	1.5	1.5	1.6
Equity Multiplier	2.0	1.9	1.8	1.8	1.8	1.8
ROE	**23.4%**	**18.7%**	**10.2%**	**13.5%**	**20.5%**	**23.4%**

Source: Bloomberg, Company, Indo Premier

Comparison with peers (Operational & Financial)

We compare CNMA's operational and financial matrices with select listed global cinema players (Fig. 76-82). A few notable highlights:

F&B contribution as % of Cinema revenue: CNMA's F&B % to Cinema revenue, which has risen from FY19's 39.9% to FY22's 52.4% and still lags to global peers, especially Cinemark's (US) and Cineplex's (Canada) of 75.3% and 82.7% respectively (Fig 76). The developed market's higher F&B contribution as % of GBO may be attributable to their higher GDP/capita compared to Indonesia (US/Canada's GDP/capita of US$75.2k/54.1k as of FY22 vs. Indonesia's US$4.5k) implying further room for F&B contribution to GBO for CNMA (expected to reach 66% by FY25), on the back of Indonesia's rising GDP/capita forecast.

Fig. 76: Cinema global player's FnB % to cinema revenue comparison – CNMA still have ample room to grow

Ticker	Region	2015	2016	2017	2018	2019	2020	2021	2022
Cinema 21	**Indonesia**	**N/A**	**N/A**	**N/A**	**N/A**	**40.4%**	**41.7%**	**48.9%**	**53.0%**
PVR Cinema	India	50.0%	51.5%	50.1%	52.5%	55.5%	74.2%	61.7%	N/A
Wanda Film Holding	China	14.4%	17.6%	21.7%	20.6%	21.1%	21.3%	21.2%	25.9%
CJ CGV	Korea	23.1%	24.8%	26.3%	24.9%	25.3%	24.0%	16.8%	24.8%
Cinemark	US	53.1%	55.3%	57.9%	60.5%	64.3%	64.8%	72.0%	75.3%
Kinepolis	Germany	40.6%	41.5%	44.2%	50.1%	51.2%	50.3%	57.4%	59.5%
Major Cineplex	Thailand	30.3%	29.9%	34.3%	35.3%	35.8%	41.2%	53.5%	52.9%
Cineplex	Canada	57.3%	57.7%	61.7%	65.7%	68.5%	81.8%	79.1%	82.7%
Simple average without Cinema 21		**38.4%**	**39.8%**	**42.3%**	**44.2%**	**46.0%**	**51.1%**	**51.7%**	**53.5%**

Source: Respective company filings

Admission per screen: CNMA's pre-pandemic (FY19) admission per screen of 95.7k/screen is relatively high compared to global average of 55.2k/screen, but lags to India's PVR cinema of 120.4k/screen (according to PVR company filings).

Additionally, we see a divergence in admission/screen (based on Euromonitor) trend over the course of 2015 to 2019 between the cinema operators in developed countries (such as US, China, Germany and Canada) which showed a declining admission/screen trend (simple average CAGR decline of 8.3% in FY15-19) and SEA countries such as Thailand which showed an increasing trend of 2.1% CAGR FY15-19. We believe that this may due to oversaturated market in developed countries as the FY22 screen penetration according to Euromonitor (screen/mn population) for US and China (133.1 and 47.3) is much higher compared to countries like Thailand and Indonesia's (12.9 and 7.6).

Fig. 77: Cinema global player's admissions/screen ('000/screen) comparison

Ticker	Region	2015	2016	2017	2018	2019	2020	2021	2022	CAGR FY15-19	Recovery rate*
Cinema 21	**Indonesia**	**N/A**	**N/A**	**N/A**	**N/A**	**95.7**	**17.0**	**18.5**	**55.1**	**N/A**	**57.6%**
PVR Cinema	India	134.9	129.9	121.8	130.1	120.4	8.1	38.5	N/A	-2.8%	32.0%
Wanda Film Holding	China	89.1	51.6	45.7	39.8	39.7	12.3	23.7	15.8	-18.3%	59.7%
CJ CGV	Korea	76.2	76.1	65.7	57.2	54.5	13.9	14.2	26.8	-8.1%	26.1%
Cinemark	US	48.3	48.7	46.5	46.6	45.7	9.1	18.1	29.6	-1.4%	39.6%
Kinepolis	Germany	45.0	45.1	30.8	41.8	37.3	10.9	15.7	26.1	-4.6%	69.8%
Major Cineplex	Thailand	45.4	43.8	45.2	48.3	49.3	17.7	12.2	25.5	2.1%	51.6%
Cineplex	Canada	46.5	44.3	42.0	41.1	39.2	7.8	12.2	23.2	-4.2%	59.3%
Simple average without Cinema		**69.4**	**62.8**	**56.8**	**57.9**	**55.2**	**11.4**	**19.2**	**24.5**		

Source: Respective company filings

Operating expense: CNMA's operating expense in rental (including depreciation of right-of-use assets) to sales ratio is among the lowest at 4.3/5.7% in FY19/22 among global cinema peers (ex-Wanda Film and Major Cineplex) average of 13.1/22.1% in FY19/22.

Notably, Wanda Film and Major Cineplex have negligible rental expense to sales as they own the property. We attribute CNMA's strong rental to sales ratio vs. global peers to the favourable industry dynamics in Indonesia whereby mall owners/operators are fragmented compared to the oligopolistic nature of cinema operators, which is dominated by CNMA – granting Indonesian cinema operators (especially CNMA) a higher bargaining power in negotiating rental rates with mall operators.

This was especially more pronounced as CNMA is also a traffic generator for malls (given the lack of entertainment options in Indonesia). Whereas in more developed countries some cinemas are located on standalone basis instead of inside the shopping malls.

Apart from rental, CNMA's salary to sales ratio is also among the most efficient compared to global peers at 9.6/9.7% in FY19/22 of sales compared to global average of 13.2/16.6% in FY19/22.

Fig. 78: Cinema global player's rental % to sales comparison

Ticker	Region	2015	2016	2017	2018	2019	2020	2021	2022
Cinema 21	**Indonesia**	**N/A**	**N/A**	**N/A**	**N/A**	**4.3%**	**15.2%**	**14.0%**	**5.7%**
PVR Cinema	India	21.9%	23.0%	22.1%	20.4%	21.2%	67.8%	33.5%	N/A
Wanda Film Holding	China	0.1%	0.2%	0.3%	0.4%	0.5%	1.0%	4.0%	6.1%
CJ CGV	Korea	7.0%	6.5%	5.8%	12.8%	11.5%	31.2%	22.8%	16.9%
Cinemark	US	11.2%	11.0%	11.0%	10.0%	10.5%	40.8%	18.5%	12.6%
Major Cineplex	Thailand	0.5%	0.5%	0.5%	0.5%	2.5%	7.4%	10.3%	4.8%
Cineplex	Canada	10.1%	9.8%	9.9%	9.7%	9.0%	30.7%	13.6%	7.6%
Simple average without Cinema 21		**8.5%**	**8.5%**	**8.3%**	**9.0%**	**9.2%**	**29.8%**	**17.1%**	**9.6%**

Source: Respective company filings, Indo Premier; Rental costs calculated based on rental expense plus depreciation of right-of-use asset

Fig. 79: Cinema global player's salary % to sales comparison

Ticker	Region	2015	2016	2017	2018	2019	2020	2021	2022
Cinema 21	**Indonesia**	**N/A**	**N/A**	**N/A**	**N/A**	**9.6%**	**29.5%**	**14.1%**	**9.7%**
PVR Cinema	India	9.7%	10.1%	10.7%	10.8%	11.4%	69.9%	19.1%	N/A
Wanda Film Holding	China	4.4%	6.7%	7.8%	7.2%	7.4%	13.7%	8.8%	11.5%
CJ CGV	Korea	11.5%	10.7%	9.0%	15.9%	15.0%	33.4%	22.1%	15.1%
Cinemark	US	10.6%	11.2%	11.9%	11.9%	12.5%	21.1%	15.4%	15.2%
Kinepolis	Germany	15.2%	16.0%	15.9%	15.9%	14.9%	25.3%	20.2%	16.1%
Major Cineplex	Thailand	11.1%	12.3%	13.1%	12.2%	11.8%	19.3%	21.1%	15.0%
Cineplex	Canada	17.0%	17.4%	18.1%	18.5%	19.1%	25.6%	22.9%	20.0%
Simple average without Cinema 21		**11.4%**	**12.1%**	**12.3%**	**13.2%**	**13.2%**	**29.8%**	**18.5%**	**15.5%**

Source: Respective company filings

Profitability: Based on data obtained from Bloomberg, CNMA's EBITDA margin is among the highest among global cinema peers at 30.7/31.6% in FY19/22, compared to global cinema peers' average of 25.9/24.3%. However, based on data obtained from Bloomberg, CNMA has a clear superiority in terms of net profit margin achievement of 17.4/10.5% vs global peers' average of 4.2/-0.4% in FY19/22, which is due to CNMA's net cash position vs global peers' average of 2.6/5.6 in FY19/22.

Fig. 80: Cinema global player's EBITDA margin comparison

Ticker	Region	2015	2016	2017	2018	2019	2020	2021	2022
Cinema 21	**Indonesia**	**N/A**	**N/A**	**N/A**	**N/A**	**30.7%**	**-0.5%**	**24.4%**	**31.6%**
PVR Cinema	India	15.9%	14.9%	17.4%	19.1%	31.7%	-122.1%	8.0%	N/A
Wanda Film Holding	China	22.9%	18.3%	18.2%	19.8%	-23.6%	-96.2%	16.3%	3.0%
CJ CGV	Korea	14.7%	14.2%	14.9%	13.4%	25.2%	-4.5%	10.4%	19.2%
Cinemark	US	21.5%	21.7%	21.1%	20.2%	29.1%	-31.6%	19.6%	18.8%
Kinepolis	Germany	29.4%	28.0%	29.2%	24.8%	31.1%	8.4%	28.0%	30.0%
Major Cineplex	Thailand	29.4%	28.0%	29.0%	27.1%	27.1%	2.6%	-12.0%	22.2%
Cineplex	Canada	20.4%	15.6%	15.1%	16.1%	24.3%	-80.5%	13.0%	26.2%
Simple average without Cinema 21		**22.0%**	**20.1%**	**20.7%**	**20.1%**	**20.7%**	**-46.3%**	**11.9%**	**19.9%**

Source: Bloomberg

Fig. 81: Cinema global player's net profit margin comparison

Ticker	Region	2015	2016	2017	2018	2019	2020	2021	2022
Cinema 21	**Indonesia**	**N/A**	**N/A**	**N/A**	**N/A**	**17.4%**	**-44.8%**	**-27.4%**	**10.5%**
PVR Cinema	India	5.4%	4.6%	5.4%	6.2%	0.8%	-272.7%	-36.9%	N/A
Wanda Film	China	15.5%	12.2%	11.5%	12.9%	-30.6%	-105.9%	0.9%	-19.8%
CJ CGV	Korea	4.4%	0.9%	-0.1%	-7.9%	-7.9%	-110.1%	-41.2%	-14.7%
Cinemark	US	7.6%	8.7%	8.8%	6.6%	5.8%	-89.9%	-28.0%	-11.0%
Kinepolis	Germany	14.3%	14.7%	13.8%	10.0%	9.9%	-39.1%	-9.5%	5.5%
Major Cineplex	Thailand	13.6%	13.6%	13.3%	12.9%	13.2%	-14.0%	52.5%	3.9%
Cineplex	Canada	9.8%	5.4%	4.6%	4.8%	1.7%	-150.4%	-37.9%	0.0%
Simple average without Cinema 21		**10.1%**	**8.6%**	**8.2%**	**6.5%**	**-1.0%**	**-111.7%**	**-14.3%**	**-6.0%**

Source: Bloomberg

Fig. 82: Cinema global player's net gearing ratio comparison

Ticker	Region	2015	2016	2017	2018	2019	2020	2021	2022
Cinema 21	**Indonesia**	**N/A**	**N/A**	**N/A**	**N/A**	**-**	**-**	**-**	**-**
PVR Cinema	India	0.4	0.8	0.7	0.7	3.1	2.2	3.1	N/A
Wanda Film	China	(0.1)	0.1	0.3	0.2	0.3	0.2	1.2	1.6
CJ CGV	Korea	1.0	0.9	1.2	1.3	4.5	8.6	8.9	5.8
Cinemark	US	1.3	1.2	1.1	1.1	2.0	4.0	9.6	26.0
Kinepolis	Germany	1.3	1.1	1.3	1.6	3.9	7.2	7.2	5.0
Major Cineplex	Thailand	0.7	0.7	0.6	0.5	0.8	1.0	0.0	0.2
Cineplex	Canada	0.4	0.5	0.8	0.8	3.3	77.6	(8.3)	(8.9)
Simple average without Cinema 21		**0.7**	**0.8**	**0.9**	**0.9**	**2.6**	**14.4**	**3.1**	**4.9**

Source: Bloomberg

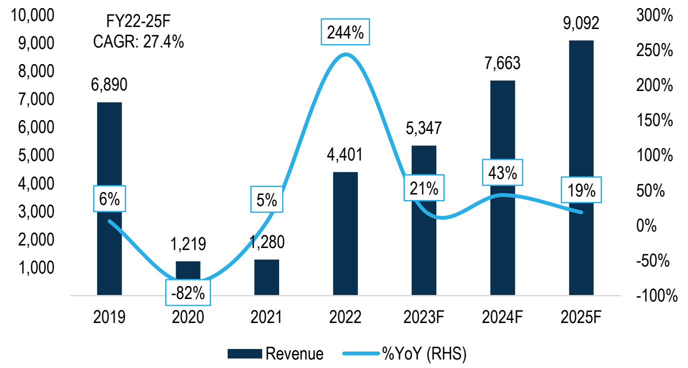
Financials

FY23/24F outlook
We expect CNMA to resume its recovery post the pandemic in FY23/24F, printing a revenue Rp5.3/7.7tr (growth of +21.5/43.3% yoy) as Covid-19 pandemic fear further subsides and mobility restrictions are fully lifted off at the end of Dec22 with further spending power recovery in FY24F.

Gross profit margin (GPM) is expected to remain stable in FY23F at 59.5% with slight improvement in FY24F to 60.0% in FY24F vs FY19/22's 59.7% on the back of higher F&B contribution to cinema revenue of 58.6/62.6% in FY23/24F vs FY22's 53.0%, noting that F&B revenues carry higher GPM at 72.4% (in FY22) vs cinemas' (box office) GPM of 50%. On the other hand, we expect advertisement revenue to decline -9.4% yoy in FY23F (1H23: -11.3% yoy) and this resulted in a slight drag in FY23F blended GPM as advertisement carries c.100% GPM (the highest among segments).

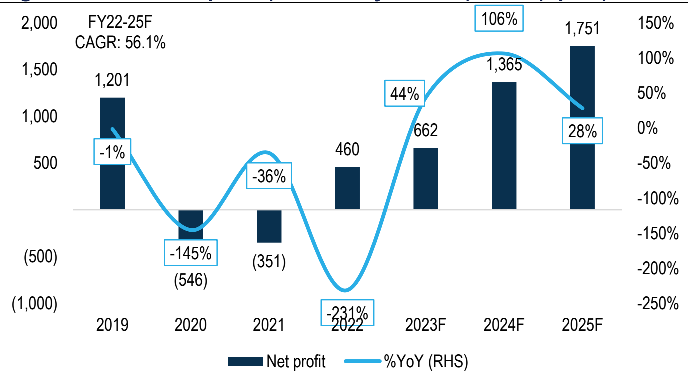
Below the gross profit line, operating expenses are somewhat fixed in nature, i.e. they do not correlate with revenue growth and constitute 43.2% of CNMA's total sales in FY22. With the expectation of sales recovery of +21.5/43.3% yoy in FY23/24F that exceeds opex growth expectation of +16.4/22.9% yoy, CNMA's cost structure allows for massive operating leverage and thereby magnifying net profit growth of +43.7/106.3% yoy to reach Rp662/1,365bn in FY23/24F.

Fig. 83: CNMA's revenue trend (Rp bn)



Source: Company, FY23-25F are based on Indo Premier forecasts

Fig. 84: CNMA's Net profit (ex-minority interest) trend (Rp bn)



Source: Company, FY23-25F are based on Indo Premier forecasts

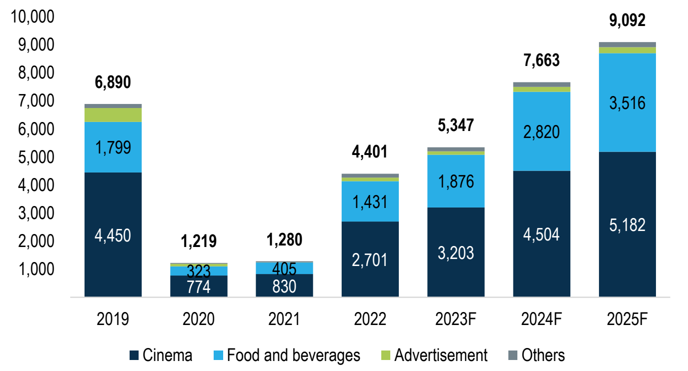
Revenue outlook: We forecast a total revenue growth of 21.5/43.3% yoy in FY23/24F, driven by continued recovery in all segments except advertisement. CNMA's FY23F revenue growth is partially driven by an addition of approximately 78/140 screens (c.6/11% yoy). Noting the sub-optimal cinema operating capacity due to the mobility restriction that's yet to be fully lifted in FY22 which represents a low-base effect; we expect total admission growth of 18.2/37.8% yoy from 67.1mn in FY22 to 79.3/109.2mn in FY23/24F which is still lower than FY19's admission of 111.7mn.

This would be driven by a more robust pipeline of movie releases in FY23/24F of up to 19/26 potential imported box office release (vs FY22's 9 imported box office films). In 8M23 YTD, international box office films that grossed more than 1mn admission has reached 14 films.

Along with a blended average ticket price (ATP) increase of +0.2/+1.5% yoy in FY23/24F, we expect CNMA's box office revenue to grow by 18.6/40.6% yoy in FY23/24F. In the medium term, we expect CNMA's revenue to grow by a +27.4% CAGR FY22-25. Segmental wise, cinema box office revenue is expected to grow at a CAGR of 24.3% FY22-25.

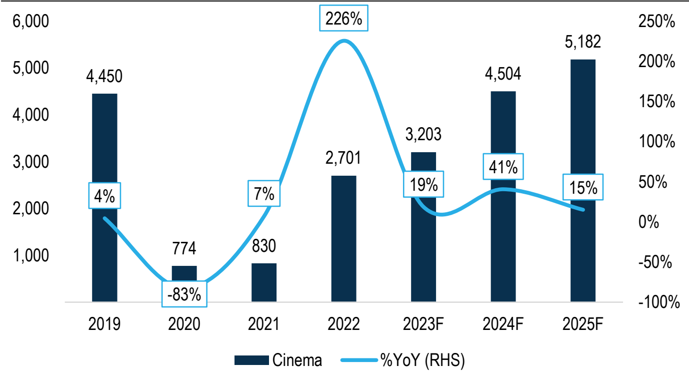
F&B's revenue, which is closely linked to box office revenue and reaches 53% of cinema revenue in FY22 (58.5% in 1H23), is expected to reach 58.6/62.6% of net revenue in FY23/24F as CNMA pushes for more optimal F&B product mix – implying a 31.1/50.3% yoy growth in FY23/24F.

Fig. 85: Revenue by segment (Rp bn)



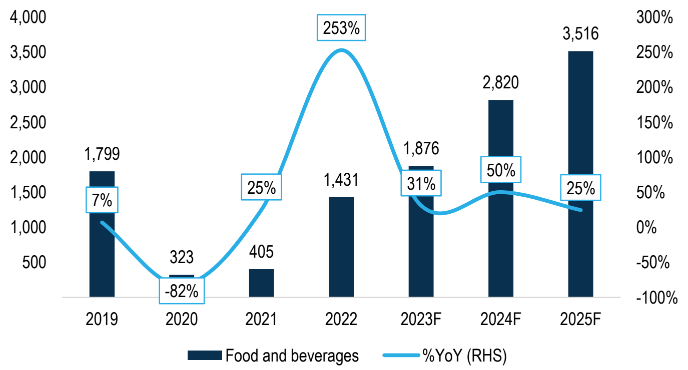
Source: Company, FY23-25F are based on Indo Premier forecasts

Fig. 86: Revenue: cinema (Rp bn)



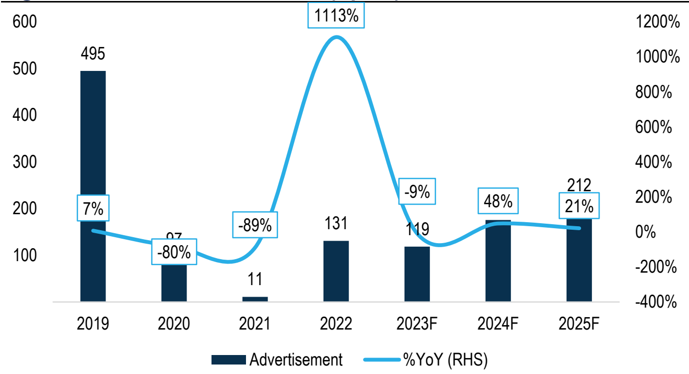
Source: Company, FY23-25F are based on Indo Premier forecasts

Fig. 87: Revenue: food and beverages (Rp bn)



Source: Company, FY23-25F are based on Indo Premier forecasts

Fig. 88: Revenue: advertisement (Rp bn)

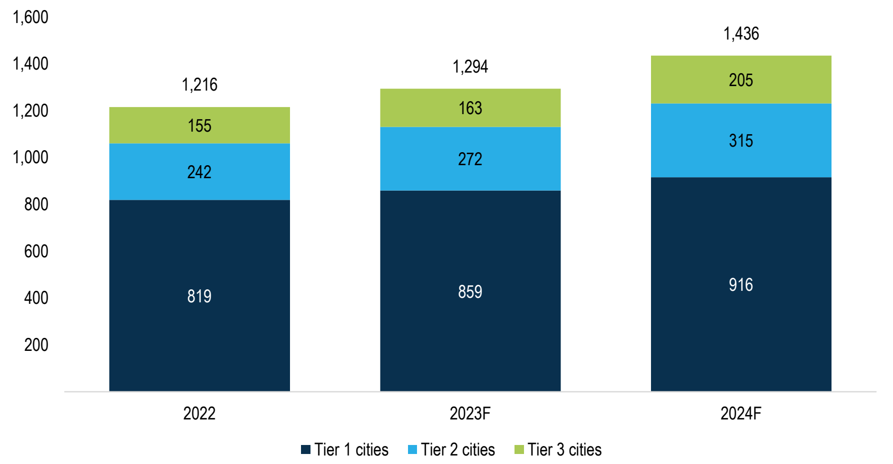


Source: Company, FY23-25F are based on Indo Premier forecasts

Revenue drivers: We consider the following metrics for cinema revenue drivers:

i) Screen addition: CNMA plans to add c.78 screens by the end of FY23F (c.7% screen addition from FY22's 1,216 total screens). Thereafter, CNMA plans to expand total screens by approximately 10% per year in the next 3-5 years.

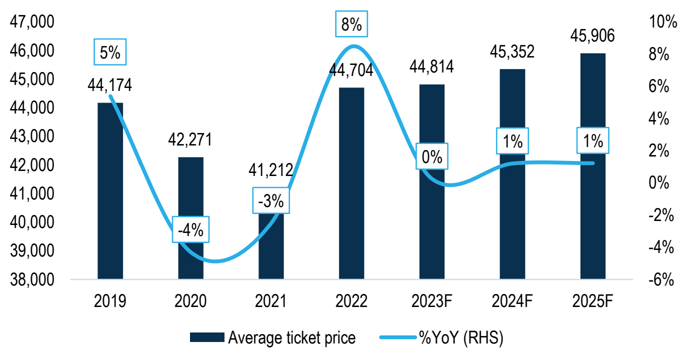
Fig. 89: Screen addition (#)



Source: Company

ii) Average ticket price (ATP) for the industry has remained stable between FY17-22, growing at a CAGR of 0.8%, lower than inflation rate. Ticket prices in Jakarta tend to be higher than other cities in general. However, ticket prices in other tier 1, tier 2 and tier 3 cities are comparable as the company implements a dynamic pricing strategy with the aim of driving increased footfalls in these cities. Factors taken into account by dynamic pricing strategy includes historical ticket price (of each cinema location), its occupancy rate, screen format (Deluxe/Premier/Imax), competitors' ticket price in the area, the type of location for the mall and the day of the week.

Fig. 90: Average ticket price (Rp/admission)



Source: Company, FY23-25F are based on Indo Premier forecasts

Fig. 91: CNMA average ticket price by tier (Rp/admission) in April 2023

	Jakarta	Tier 1 ex-Jakarta	Tier 2	Tier 3
Mon-Thu	36,429	32,500	35,192	31,378
vs. Jakarta price		*-11%*	*-3%*	*-14%*
Friday	43,143	37,917	41,827	37,245
vs. Jakarta price		*-12%*	*-3%*	*-14%*
Sat/Sun/Public holiday	52,714	45,417	50,865	45,204
vs. Jakarta price		*-14%*	*-4%*	*-14%*

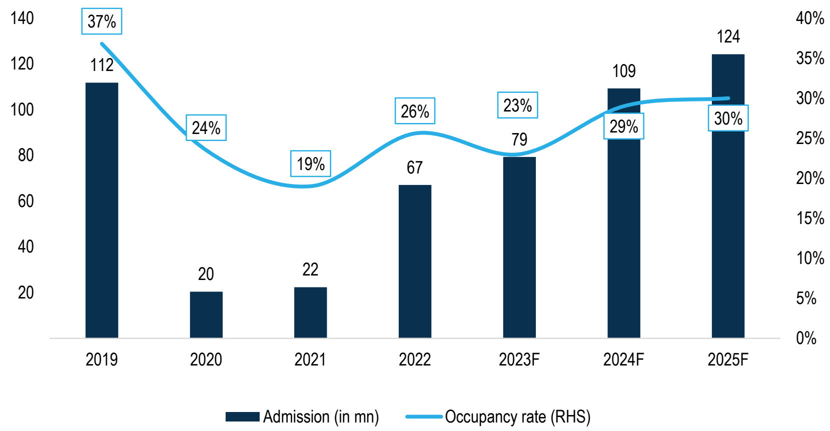
Source: Company website

Occupancy rate & Admission: Transitioning from post pandemic, we conservatively expect CNMA's occupancy rate to recover from FY22A/23F's 25.6/23.0% to 29.0/30.0% in FY24/25F, still below pre-pandemic level of 36.8% in FY19. This would be driven by further spending power recovery in FY24F. We expect admissions to reach 79/109mn in FY23/24F (+18/38% yoy) – Fig 92, on the back of a higher number of expected imported box office (>1mn admission) film slates upcoming in FY23/24F of up to 19/26 vs FY22's 9 (Fig 10-11).

CNMA's historical occupancy rate stood at 37/24/19/26% as of FY19/20/21/22. Worth noting here that CNMA's cinemas in FY20/21/22 are operating at ~25/40/80% of total (seating) capacity and are significantly lower than FY19's due to the mobility restriction enforced during the pandemic.

For instance, cinemas are fully closed for a total of 8 months during the pandemic – 6 and 2 months respectively in FY20 & FY21, while the remaining operational hours are limited to 50% of maximum capacity.

Fig. 92: Admission and occupancy rate



Source: Company, FY23-25F are based on Indo Premier forecasts

In terms of geographical breakdown: CNMA's cinema revenue contribution is derived mainly from Tier 1 cities at 68% of revenue while Tier2/Tier3 cities contribute 21/11% of revenue as of FY22. Given that Tier-2 and tier-3 cities combined would account for 48.7/59.9% of the total number of new screens CNMA intends to roll-out in FY23/24F, we expect contribution from Tier2/Tier3 cities to rise gradually, reaching 23.2/13.5% of revenue by FY25F.

Seasonality: According to management, the months of April to July and November to December typically have higher admission/occupancy rate. These are months which coincide with school and public holidays. Additionally, US production houses tend to release blockbuster movies around this time during the US summer holidays (May-July) and year end festive (Christmas and New Year).

Box office film and film slate release: In parallel, movie releases also have a huge impact to cinema admission. We note that the number of box office films release (according to boxofficemojo and filmindonesia) that gross more than 1mn admissions in FY22 stood at merely 9/12 imported/domestic titles, and is significantly lower than FY19's 23/10 box office imported/Domestic titles. In FY23F, we expect a robust pipeline of movie releases in FY23/24F with up to 19/26 global film releases each year from global renowned production houses.

Fig. 93: FY23F major movie release & pipeline in Indonesia

No	2023 movie release	Industry admission (mn) in 8M23
Domestic		
1	Sew u Dino	4.9
2	Waktu Maghrib	2.4
3	Suzzanna: Malam Jumat Kliw on	2.2
4	Ketika berhenti di sini	1.6
5	Buya Hamka	1.3
6	Khanzab	1.2
7	Sosok Ketiga	1.2
Imported movie		
1	Fast X	4.8
2	Transformers: Rise of the Beasts	3.6
3	Guardians of the Galaxy Vol. 3	2.8
4	Ant-Man and the Wasp: Quantumania	2.8
5	The Nun 2	2.8
6	Mission: Impossible – Dead Reckoning Part One	2.5
7	Insidious: The Red Door	1.9
8	Barbie	1.7
9	Meg 2: The Trench	1.7
10	The Super Mario Bros. Movie	1.7
11	The Little Mermaid	1.6
12	Evil Dead Rise	1.6
13	The Marvels	
14	Wish	
15	Killers of the Flow er Moon	
16	The Expendables 4	
17	The Pope Exorcist	
18	The Hunger Games: The Ballad of Songbirds and Snakes	
19	Aquaman and the Lost Kingdom	

Source: Box Office Mojo, Cinepoint

Fig. 94: FY24F major international movie pipeline in Indonesia

No	2024 international movie pipeline
1	Joker: Folie à Deux
2	Mission: Impossible - Dead Reckoning Part Tw o
3	Snow White
4	The Lord of the Rings: The War of the Rohirrim
5	Captain America: New World Order
6	Thunderbolts
7	Mufasa: The Lion King
8	Despicable Me 4
9	Untitled Disney Live-Action Mar. 2024 Film
10	Untitled Disney Live-Action July 2024 Film
11	Untitled Pixar Jun. 2024 Animated Film
12	Untitled Pixar Mar. 2024 Animated Film
13	Inside Out 2
14	Elio
15	Ballerina
16	Kraven the Hunter
17	Kingdom of the Planet of the Apes
18	A Quiet Place: Day One
19	Godzilla x Kong: The New Empire
20	Kung Fu Panda 4
21	The Karate Kid Sequel
22	Fantastic Beasts and Where to Find Them 5
23	Dune: Part 2
24	Untitled M. Night Shyamalan Thriller
25	The Watchers
26	Spider-Man: Beyond The Spider-Verse

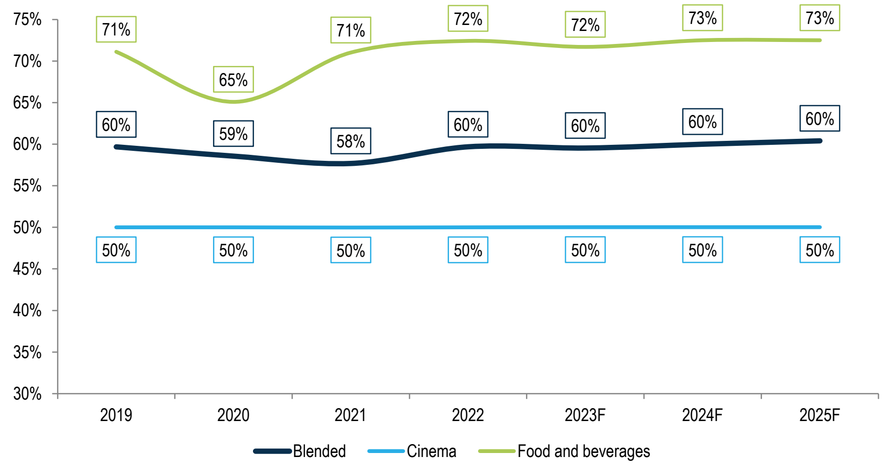
Source: Box Office Mojo

Historically, the top 10 tentpole movies contribute to c.30% of the annual admissions of CNMA. During the pandemic, as the number of movie releases declined significantly, the top 10 tentpole movies contribution rose to c.50% of CNMA's total admissions.

Gross profit margin: Gross profit margin (GPM) is expected to remain stable in FY23F at 59.5% with slight improvement in FY24F to 60.0% in FY24F vs FY19/22's 59.7% on the back of higher F&B contribution to cinema revenue of 58.6/62.6% in FY23/24F vs FY22's 53.0%, noting that F&B revenues carry higher GPM at 72.4% (in FY22) vs cinemas' (box office) GPM of 50%. On the other hand, we expect advertisement revenue to decline -9.4% yoy in FY23F (1H23: -11.3% yoy) and this causes a slight drag in FY23F blended GPM as advertisement carries c.100% GPM (the highest among segments).

GPM for cinemas has historically been at 50%, given the long-standing industry practice of revenue split (50:50) with film distributor and/or production houses, after entertainment tax deduction, according to Euromonitor. Notably, advertising and promotion costs of film releases are primarily borne by the distributor/production houses. On the other hand, GPM for F&B stood at 71.1% in FY19 (a record high for pre-pandemic level) and continued to expand to 72.4% in FY22 on the back of the company's innovative initiatives such as pushing for a more profitable sales mix via bundling promotions and beyond cinema consumption (such as Croffle), etc.

Fig. 95: GPM by segment (%)



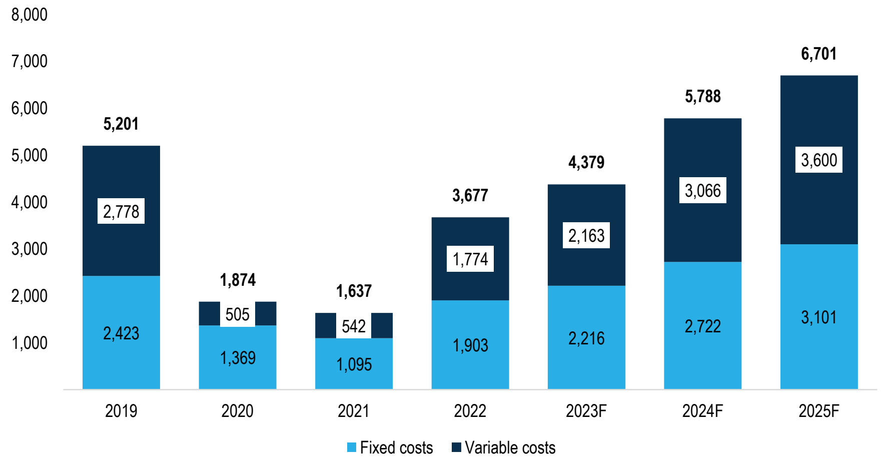
Source: Company, FY23-25F are based on Indo Premier forecasts

Beyond FY23F, we expect overall blended GPM to reach 60.4% in FY25F from FY22/23/24F's 59.7/59.5/60.0%. The margin expansion is going to be driven by rising F&B proportion of cinema revenue from 53.0% in FY22 to 67.8% by FY25F, in-line with management's target of achieving F&B contribution to GBO collections of c.70% within the next five years.

On top of that, we note that CNMA's F&B GPM has consistently been above 70%, rising from FY19's 71.1% to 72.4% in FY22 (1H23: 71.9%) and we expect this to reach 72.5% by FY25F on the back of further optimization of sales mix within F&B segment.

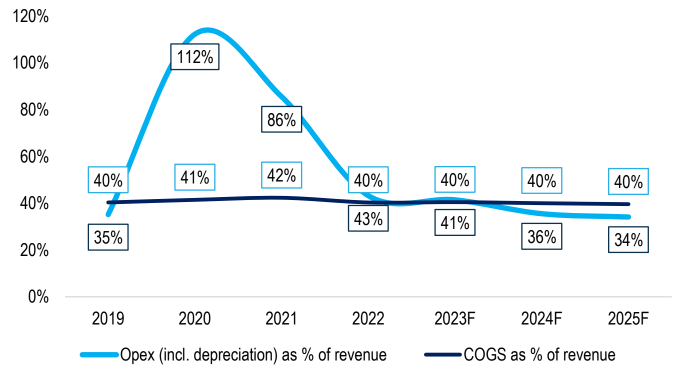
Operating expense: Unlike cost of revenue which is directly linked to revenue (ranging between 40.3-42.3% of sales between FY19-22), operating expenses do not correlate with revenue (representing 35.2/112.3/85.6/43.2% of sales in FY19/20/21/22) and are more fixed in nature. In FY22, CNMA's significant operating expenses are i) depreciation of fixed asset excluding right-of-use assets (12.1% of sales); ii) employee's compensation (9.7% of sales); iii) rental including depreciation of right-of-use asset (5.7% of sales); iv) utilities (4.6% of sales); v) taxes which include property taxes, final tax on rental, non-creditable VAT, advertisement tax, and other tax expenses such as tax bill, penalty, etc (2.1% of sales); and the remaining operating expense item, each with less than 2.0% of sales, making up for 3.6% of sales. <u>Our forecasts for operating expenses (including depreciation of fixed asset) imply a growth of 16.4% yoy in FY23F with a FY22-25F CAGR of 17.7%. Given CNMA's FY22-25 CAGR for revenue of 27.4%, we expect operating leverage as opex/sales ratio decline from FY22's 43.2% to FY23/24/25F's 41.4/35.5/34.1%.</u>

Fig. 96: Expenses breakdown (Variable: Cost of revenue; Fixed: Operating costs) (Rp bn)



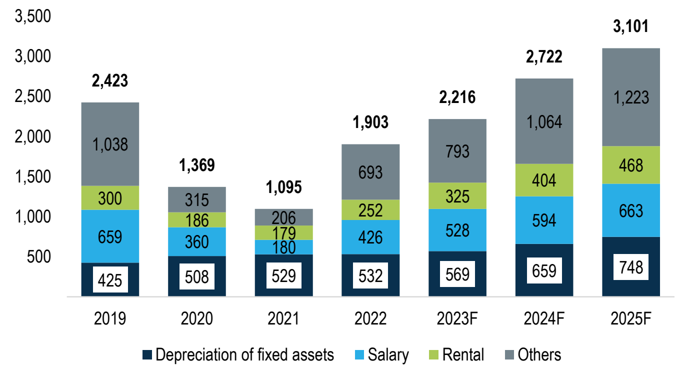
Source: Company, FY23-25F are based on Indo Premier forecasts

Fig. 97: Opex as % of revenue vs cost of revenue as % of sales



Source: Company, FY23-25F are based on Indo Premier forecasts

Fig. 98: Opex breakdown (Rp bn) – including depreciation of ROU



Source: Company, FY23-25F are based on Indo Premier forecasts

Depreciation of fixed asset: is expected to rise in-line with CNMA's expansionary capex and to a lesser extent maintenance capex. Our projections include a growth of 7.2/14.9% yoy in FY23/24F and a 11.5% CAGR for FY22-25F.

Salary expenses: Ex-Headquarters (HQ) staff count is expected to be more efficient in terms of number of staff/screen ratio FY23/24F compared to 2019's given the efficiency measures undertaken over the pandemic, while HQ staff count has been very stable between FY19 and FY22. Going forward, we expect employee's compensation costs to rise by 23.9/12.6% yoy in FY23/24F and a 15.9% CAGR for FY22-25F. Our salary expense assumptions include ex-HQ staffs count to rise along with CNMA's cinema expansion and wage growth assumption similar to inflation.

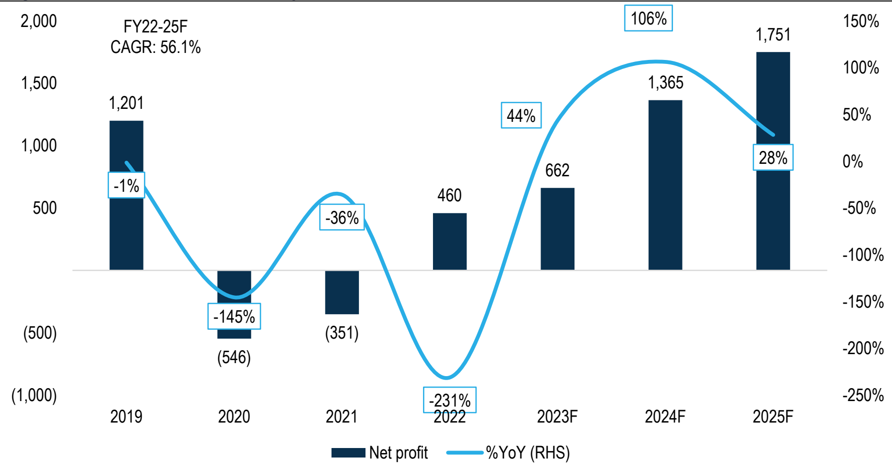
Rental expenses and depreciation of right-of-use assets: As of FY22, CNMA's rental agreements are based on fixed rent and revenue sharing. <u>Rental expense that is reflected in opex are service charges and rental that is based on revenue sharing, while depreciation of right-of-use (ROU) asset reflects the rental expense of fixed lease agreement</u>. CNMA's preference is to enter into fixed rate leases and we expect future expansion to be based on fixed rate lease agreement. Lease concessions amounted to Rp51/142/27bn in FY20/21/22 and we expect this to be absent in FY23F onwards on post Covid-19 normalization.

Rental expense is expected grow 55.0/35.0% yoy in FY23/24F, with a 35.9% CAGR for FY22-25F – higher than cinema's revenue growth expectation of

18.6% yoy in FY23F and 24.3% CAGR for FY22-25F due to its low base effect in FY22. On the other hand, depreciation of ROU assets is expected to grow 7.6% yoy in FY23F and 9.4% CAGR for FY22-25F, largely reflecting CNMA's screen expansionary plans.

Net profit: Accounting for the above factors, we forecast a net profit of Rp662/1,365bn in FY23/24F (growth of +43.7/106.3% yoy) driven by robust top line growth of +21.5/43.3% yoy and operating leverage that see operating expenses' contribution of sales decline from FY22's 43.2% to 41.4/35.5% in FY23/24F, resulting in net profit margin expansion from 10.5% in FY22 to 12.4/17.8% in FY23/24F (vs FY19's 17.4%).

Fig. 99: Net profit (ex-minority interest) (Rp bn)



Source: Company, FY23-25F are based on Indo Premier forecasts

Dividends

CNMA declared cash dividends amounting to Rp695/1,700bn in FY18/22. From 2023 onwards, CNMA aims to pay dividends equal to a minimum payout ratio of 35% of the company's net profit.

Segment contribution: CNMA's revenue comprises mainly of cinema (movie tickets), F&B and advertising revenue with 61.4/32.5/3.0% contribution to revenue in FY22, while digital platform, events and other revenues make up 3.2% of revenue. The revenue mix of movie/F&B/advertising has somewhat changed from FY19's 64.6/26.1/7.2%, notably with a higher F&B contribution in FY22. The company aims to drive F&B contribution as % of GBO revenue higher from FY22's 52% to c.70% in the next 5 years.

Due to the superior gross margin profile of F&B segment as compared to cinema as discussed previously, along with the fact that most of CNMA's total operating expenses (including depreciation) are attributed to the cinema segment (average 76% in FY20-22) vs F&B's 12%; F&B segment commands the highest net profit margin and as a proportion to net profit F&B has historically been the profit driver for CNMA at 70.2/120.5% in FY19/22 (note that CNMA booked a net loss in FY20/21).

Going forward, we expect F&B to continue to be the major profit driver, accounting for more than 70% in FY23-25F net profit as we expect F&B % sales contribution to cinema revenue to rise from FY22's 53.0% to 67.8% in FY25F and gross profit margin expansion of F&B from FY22's 72.4% to FY25F's 73.0% (vs cinemas' gross profit margin, which is fixed at 50%).

Capex: Capex per screen is estimated to be about US$500k per screen in 2019 & 2022. Going forward, it's expected to remain at pre-Covid levels and grow in-line with inflation, adjusted to foreign currency. Accounting for future expansion of 78/142 screens in FY23/24F on top of the regular maintenance capex, we project a total capex of Rp822/1,357bn respectively with the assumption of exchange rate of Rp15,000/US$. These capex would be fully funded by its internal cash flow.

2Q23 results – strong qoq rebound from +74% admission recovery

Net profit decline -20.7% yoy due to non-core item despite strong top-line recovery: CNMA printed a net profit of Rp215bn in 1H23 (-20.7% yoy) and formed only 43% of our FY23F forecast vs. 1H22's 54% attainment of FY22 net profit. The decline was primarily due to absence of tax rebate in 1H23, operating costs (ex-depreciation) normalization (+42.8% yoy) despite strong top line recovery of +22.0% yoy. Cinema/F&B revenue grew +15.1/40.5% yoy in 1H23 as total admission grew +22.3% yoy to 36.9mn in 1H23 (vs. 30.1mn in 1H22). Occupancy rate grew to 26.0% in 1H23 from 24.4% in 1H22 as average ticket price declined to Rp44,020 (-4.7% yoy).

Strong qoq rebound in 2Q23: 2Q23 net profit rebounded to Rp240.6bn from 1Q23's net loss of –Rp25.6bn as revenue rose strongly +74.9% qoq. This was driven by a strong rebound in admission of +74% qoq. Gross profit margin remained stable at 59.6% in 2Q23 vs 59.1% in 1Q23, while operating expense (ex-depreciation) grew 24.9% qoq – resulting in massive operating leverage with EBITDA margin expanding to 32.2% in 2Q23 vs 1Q23's 20.8%. Despite the flattish EBITDA growth of -1% yoy in 2Q23, net profit declined -24.5% yoy due to the tax rebates that was present in 2Q22 from the losses during the pandemic, which no longer applies in 2Q23.

Higher F&B contribution led to GPM expansion, but opex normalization translates to lower EBIT margin: Meanwhile, F&B revenue as a % of cinema revenue rose from 47.9% in 1H22 to 58.5% in 1H23 – in-line with the company's strategy to further boost F&B contribution. This led to a slight gross profit margin (GPM) expansion to 59.4% in 1H23 from 1H22's 59.1%. Nonetheless, operating costs (ex-depreciation) surges +42.8% yoy resulting in a higher opex (ex-depreciation)/sales ratio of 31.4% (vs 26.8% in 1H22).

Screen expansion is still in-line with FY23/24F target: Screen expansion of 31 new screens (7 cinemas) including in Cianjur, which previously had no cinema presence. Management views that this aligns with FY23F's target of c.78/140 screen expansion in FY23/24F.

Fig. 100: CNMA 1H23 results

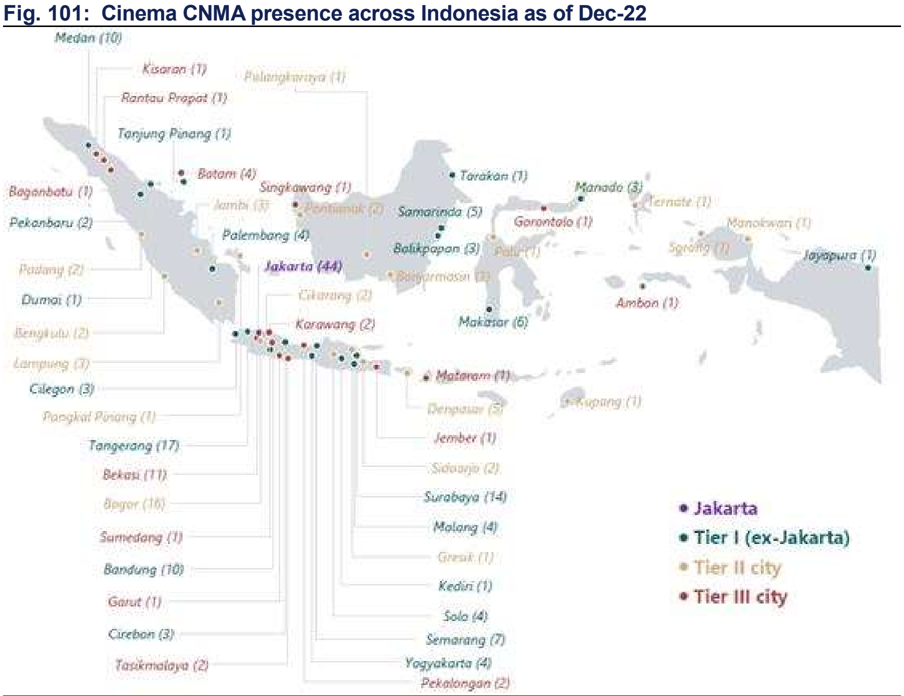
(Rp bn)	2Q23	2Q22	%yoy	1Q23	%qoq	6M23	6M22	%yoy
Revenue	1,544.5	1,354.5	14.0%	883.3	74.9%	2,427.7	1,990.1	22.0%
Cost of revenue	(624.6)	(551.2)	13.3%	(360.8)	73.1%	(985.4)	(815.1)	20.9%
Gross profit (loss)	**919.9**	**803.2**	**14.5%**	**522.4**	**76.1%**	**1,442.3**	**1,175.0**	**22.8%**
Operating expenses ex-D&A	(422.7)	(301.1)	40.4%	(338.5)	24.9%	(761.3)	(533.1)	42.8%
EBITDA	**497.2**	**502.1**	**-1.0%**	**183.9**	**170.3%**	**681.1**	**641.9**	**6.1%**
Finance income	12.0	18.4	-34.9%	8.3	43.8%	20.3	25.1	**-19.2%**
Finance costs	(45.2)	(35.6)	27.0%	(41.2)	9.6%	(86.4)	(68.9)	**25.4%**
Other income	2.4	2.1	15.2%	0.9	170.4%	3.3	2.3	**45.3%**
Other expenses	(14.3)	(1.6)	809.1%	(0.2)	6007.3%	(14.5)	(1.7)	**778.2%**
Profit (loss) before income	**290.2**	**318.4**	**-8.9%**	**(15.6)**	**-1955.0%**	**274.5**	**264.7**	**3.7%**
Income tax benefit (expenses)	(49.5)	(0.1)	82408%	(9.9)	397.7%	(59.5)	6.0	-1088%
Net profit before minority	**240.6**	**318.4**	**-24.4%**	**(25.6)**	**-1040.4%**	**215.1**	**270.7**	**-20.6%**
GPM	59.6%	59.3%		59.1%		59.4%	59.0%	
EBITDA margin	32.2%	37.1%		20.8%		28.1%	32.3%	
NPM	15.6%	23.5%		-2.9%		8.9%	13.6%	
Revenue breakdown								
Cinema	931.2	862.7	7.9%	530.3	75.6%	1,461.5	1,269.7	15.1%
Food and beverages	553.5	414.6	33.5%	310.7	78.1%	864.3	614.9	40.5%
Advertisement	20.6	29.1	-29.2%	18.2	13.2%	38.8	43.8	-11.3%
Digital platform	36.0	46.0	-21.6%	17.4	107.6%	53.4	57.7	-7.5%
Event and other revenue	3.0	2.0	50.0%	6.7	-54.3%	9.7	4.0	144.0%
GPM								
Cinema	50.0%	50.0%		50.0%		50.0%	50.0%	
Food and beverages	72.7%	73.9%		70.5%		71.9%	73.1%	
Advertisement	100.0%	100.0%		100.0%		100.0%	100.0%	
Digital platform	78.8%	75.7%		77.0%		78.2%	75.0%	
Event and other revenue	123.0%	105.1%		89.5%		100.0%	100.0%	
Operational Data								
Admissions (mn)	23.4	19.6	19.6%	13.5	74.0%	36.9	30.1	22.6%
Avg. ticket price (Rp)						44,020.0	46,200.0	-4.7%
Occupancy rate (%)						24.4%	26.0%	

Source: Company, Indo Premier

Company profile

Founded in 1988, Cinema CNMA is currently the leading cinema operator in Indonesia, according to Euromonitor. It also operates its own F&B offerings and digital ticketing platforms. At the end of 2022, Cinema CNMA was operating 225 cinemas with 1,216 screens in 55 cities across Indonesia. The majority of its cinemas are multiplex cinemas located in shopping malls across large urban cities with high foot traffic.

Fig. 101: Cinema CNMA presence across Indonesia as of Dec-22



Source: Company

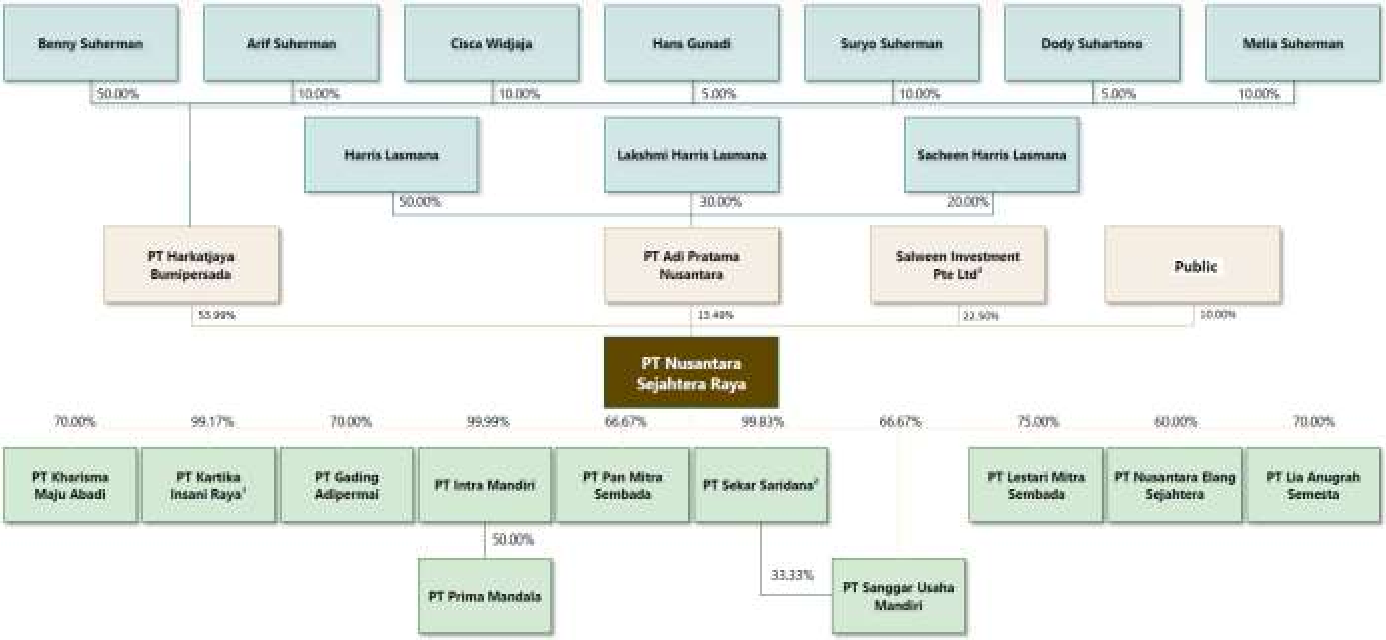
Cinema: Over 60% of CNMA's revenue is derived from movie exhibition business. CNMA offers a range of different cinema format experiences that include Regular/Deluxe, The Premiere and IMAX theaters and employs a dynamic pricing strategy taking into account the screen format, location type and the different socio-economic customer segments. The average ticket price stood at Rp44.7k in 2022. In terms of gross margin, CNMA always pay film exhibition costs to distributors and/or production house based on revenue sharing arrangements at 50% of total ticket sales after deducting entertainment tax required under regional tax regulations.

Food and beverages. To ensure enjoyable entertainment experience, CNMA also produce its own F&B. The offerings span across different cuisines from street food to gourmet food.. The average F&B spend per admission in 2022 was Rp23.4k with gross margin above 70%.

Digital ticketing. CNMA currently has two mobile ticketing platform, called m.tix and TIX.ID. m.tix what CNMA believes to be the first mobile ticketing platform in Indonesia and exclusive to purchase ticket and F&B offerings from CNMA. Meanwhile, TIX.ID is the only ticket aggregator platform with inventory of the top three players in the cinema industry and covers booking for more than 90% of the screens in Indonesia, according to Euromonitor.

Company structure

Fig. 102: Corporate structure



Source: Company

Minority interest: There are a number of subsidiaries that are not fully owned by CNMA and there are a number of agreements between them and CNMA –trademark license agreement, advertising partnership agreement and management fee agreements as per Fig 103. Future screen expansion would be fully consolidated in CNMA and the minority interest portion of net profit would naturally be diluted with additional screen expansion.

Fig. 103: Material trademark license agreement

Company	Trademark license agreement		Advertising partnership agreement	Management fee agreement
	Trademark license	Pay fee	Ads commission fee	Fee/screen/month (Rp)
PT Gading Adi Permai	Non-exclusive	Not required	20% of net selling price from advertising	8,000,000
PT Indra Mandiri	Non-exclusive	Not required	20% of net selling price from advertising	8,000,000
PT Kartika Insani Raya	Non-exclusive	Not required	20% of net selling price from advertising	8,000,000
PT Kharisma Maju Abadi	Non-exclusive	Not required	20% of net selling price from advertising	8,000,000
PT Lia Anugrah Semesta	Non-exclusive	Not required	20% of net selling price from advertising	8,000,000
PT Lestari Mitra Sembada	Non-exclusive	Not required	20% of net selling price from advertising	8,000,000
PT Pan Mitra Sembada	Non-exclusive	Not required	20% of net selling price from advertising	8,000,000
PT Prima Mandala	Non-exclusive	Not required	20% of net selling price from advertising	6,000,000
PT Sanggar Usaha Mandiri	Non-exclusive	Not required	N/A	8,000,000
PT Sekar Saridana	Non-exclusive	Not required	20% of net selling price from advertising	8,000,000

Source: Company

Management profile

Fig. 104: Board of director

Ir. Hans Gunadi, M.Sc.
President Director

Hans Gunadi has served as President Director since August 4, 2011 and has 24 years of experience in the finance and movie screening industries. Hans Gunadi concurrently serves as President Commissioner of NES, President Director of PT Sekar Saridana and PT Hydrospa International and Director of PT Lixil Trading Indonesia, PT Harkatjaya Bumipersada and PT Graha Jaya Bali. Previously, Hans Gunadi served as Commissioner of PT Eka Jaya Agung (2014-2018), Vice President of Citigroup, Singapore (2008-2010) and Vice President of Salomon Smith Barney Inc., Singapore (1999-2007). Hans Gunadi completed his bachelor's degree in civil engineering at Parahyangan Catholic University, Indonesia (1994) and his master's degree in project management at the University of Manchester, United Kingdom (1996).

Arif Suherman
Director (COO)

Arif Suherman has served as Director since March 5, 2018 and has 21 years of experience in the manufacturing, finance and movie exhibition industries. Arif Suherman concurrently serves as President Commissioner of PT Multindo Auto Finance, Commissioner of NES and PT Sekar Saridana, President Director of PT Citra Bersama Mututama, Director of PT Harkatjaya Bumipersada, PT Baskara Bina Sentosa, PT Bloomfils International and PT Asahimas Chemical, Deputy in the Investment and Foreign Relations of the Film and Animation Ecosystem Development Agency, Industry Chamber of Commerce of the Republic of Indonesia and member of the Asia-Pacific Acquisitions Committee of TATE Foundation, London and the Young Presidents Organization. Previously, Arif Suherman served as President Director of PT Multindo Auto Finance (2004-2017) and chairman of the Permanent Commission for Electronic-Based Creative Industries (TV, Radio, Video, Film, Photography & Animation), Industry Chamber of Commerce of the Republic of Indonesia (2017-2020). Arif Suherman completed his bachelor's degree in international business at Sophia University, Japan (2000).

Tri Rudy Anitio
Director (CFO)

Tri Rudy Anitio has served as Director since September 29, 1997 and has 34 years of experience in the accounting industry. Tri Rudy Anitio concurrently serves as Director of PT Sekar Saridana. Previously, Tri Rudy Anitio served as associate in KAP Drs. B. Sudharta & Co (1989-1990) and as a manager in our taxation department (1990-1997). Tri Rudy Anitio completed his bachelor's degree in social philosopy at the Driyarkara College of Philosophy (1988).

Dody Suhartono
Director

Dody Suhartono has served as Director since March 6, 2023 and has 32 years of experience in the F&B and movie exhibition industries. Dody Suhartono concurrently serves as Commissioner of PT Kuliner Sejahtera Raya, PT Bioskop Metropole, PT Delta Raya Sentosa and PT Delta Raya Sejahtera, and Director of PT Harkatjaya Bumipersada. Previously, Dody Suhartono served as our chief of F&B (1996-2022), Director (marketing) of PT Multindo Finance (2004-2008), General Manager of PT Aneka Boga Sukses (1996-2005) and President Director of Sanguine Spectra, USA (1991-2005). Dody Suhartono completed his bachelor's degree in business administration at Rancho Santiago College (St. Ana College), USA (1994) and his master's degree in international business and finance, California State University, Fullerton USA (1996).

Source: Company

Fig. 105: Board of commissioner (1)

Suryo Suherman
President Commissioner

Suryo Suherman has served as President Commissioner since March 5, 2018 and has more than 25 years of experience in the movie exhibition industry. Suryo Suherman concurrently serves as Commissioner of PT Graha Jaya Bali, PT Sekar Saridana and PT Asahimas Chemical, President Director of PT Harkatjaya Bumipersada and PT Baskara Binasentosa, and Director of PT Citra Bersama Mututama. Previously, Suryo Suherman served as our Commissioner (2011-2018), our Director (1997-1998 and 2002-2011) and our President Commissioner (1998-2002). Suryo Suherman completed his bachelor's degree in finance at Boston College, USA (1994).

Melia Suherman
Commissioner

Melia Suherman has served as Commissioner since January 1, 2017 and has more than 25 years of experience in the finance and movie exhibition industries. Melia Suherman concurrently serves as Commissioner of PT Harkatjaya Bumipersada. Previously, Melia Suherman served as President Commissioner of PT Multindo Auto Finance (2003-2010), Commissioner of PT Multindo Auto Finance (1999-2000) and our Commissioner (1997-2011). Melia Suherman completed her bachelor's degree in finance at Boston College, USA (1995).

Harris Lasmana
Commissioner

Harris Lasmana has served as Commissioner since March 5, 2018 and has 35 years of experience in the movie exhibition industry. Harris Lasmana concurrently serves as President Commissioner of PT Sekar Saridana and President Director of APN. Previously, Harris Lasmana served as our President Commissioner (2011-2018) and President Director (1988-2011). Harris Lasmana completed his bachelor's degree in science at Bombay University, India (1968).

Sacheen Harris Lasmana
Commissioner

Sacheen Harris Lasmana has served as Commissioner since January 1, 2017 and has more than 20 years of professional experience. Sacheen Harris Lasmana concurrently serves as Director of PT Adi Pratama Nusantara. Previously, Sacheen Harris Lasmana served as a Government and Public Affairs officer in BP Indonesia (2001-2004). Sacheen Harris Lasmana completed his bachelor's degree in international relations at the University of Oxford (Regent's Park College), United Kingdom (1998), and his master's degree in international relations at the University of Oxford (Regent's Park College), United Kingdom (2000).

Source: Company

Fig. 106: Board of commissioner (2)

Drs. Mohammad Noor Rachman Soejoeti, MA
Independent Commissioner

Mohammad Noor Rachman Soejoeti has served as Independent Commissioner since March 6, 2023 and has more than 23 years of professional experience. Mohammad Noor Rachman Soejoeti concurrently serves as Commissioner of PT Avia Avian Tbk. and PT Bursa Efek Indonesia. Previously, Mohammad Noor Rachman Soejoeti served as President Commissioner of PT Ristia Bintang Mahkota Sejati Tbk. (2018-2020) and PT Maybank Asset Management (2017-2020), Deputy Commissioner for Capital Markets Supervision II, OJK (2013-2017) and supervisory board member of the Money-printing Public Corporation of the Republic of Indonesia (or Perusahaan Umum Percetakan Uang Republik Indonesia) (2000-2007). Mohammad Noor Rachman Soejoeti completed his bachelor's degree in economics at Gadjah Mada University, Indonesia (1982) and his master's degree in economics at the Colorado State University, USA (1991).

Ir. Ongki Wanadjati Dana
Independent Commissioner

Ongki Wanadjati Dana has served as Independent Commissioner since April 1, 2023 and has more than 23 years of experience in the finance industry. Ongki Wanadjati Dana concurrently serves as Commissioner of PT Bank BTPN Syariah Tbk. and PT Bank BTPN Tbk. Previously, Ongki Wanadjati Dana served as President Director of PT Bank BTPN Tbk. (2019-2022), Deputy President Director of PT Bank Tabungan Pensiunan Nasional Tbk. (2008-2019), Head of the Syariah business unit of PT Bank Tabungan Pensiunan Nasional Tbk. (2008-2014), Director of Wholesale Banking of PT Bank Permata Tbk. (2002-2008) and Deputy President Director of Bank Universal (2000-2002), Ongki Wanadjati Dana completed his bachelor's degree in mechanical engineering at the Bandung Institute of Technology, Indonesia (1981).

Source: Company

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net revenue	1,280	4,401	5,347	7,663	9,092
Cost of sales	(542)	(1,774)	(2,163)	(3,066)	(3,600)
Gross profit	**738**	**2,627**	**3,183**	**4,598**	**5,491**
SG&A Expenses	(1,095)	(1,903)	(2,216)	(2,722)	(3,101)
Operating profit	**(357)**	**724**	**968**	**1,876**	**2,391**
Net interest	(122)	(82)	(68)	(27)	(29)
Forex gain (loss)	0	0	0	0	0
Others	1	(7)	0	0	0
Pre-tax income	**(478)**	**635**	**900**	**1,849**	**2,362**
Income tax	112	(131)	(198)	(407)	(520)
Minority interest	14	(44)	(40)	(77)	(91)
Net income	**(351)**	**460**	**662**	**1,365**	**1,751**

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalent	1,090	2,049	2,658	3,007	3,110
Receivable	35	69	132	189	224
Inventory	58	96	59	84	99
Other current assets	32	21	44	63	75
Total current assets	**1,216**	**2,236**	**2,893**	**3,343**	**3,507**
Fixed assets	4,418	3,942	4,172	4,929	5,537
Other non-current assets	784	581	581	581	581
Total non-current assets	**5,202**	**4,523**	**4,753**	**5,510**	**6,118**
Total assets	**6,418**	**6,760**	**7,646**	**8,853**	**9,625**
ST loans	0	1,697	0	0	0
Payable	455	442	445	630	740
Other payables	306	326	326	330	332
Current portion of LT loans	0	0	0	0	0
Total current liab.	**761**	**2,466**	**771**	**960**	**1,072**
Long term loans	0	0	0	0	0
Other LT liab.	1,700	1,641	1,616	1,688	1,734
Total liabilities	**2,461**	**4,107**	**2,387**	**2,647**	**2,806**
Equity	261	745	2,996	2,996	2,996
Retained earnings	3,501	1,738	2,054	2,923	3,445
Minority interest	195	170	210	287	378
Total SHE + minority int.	**3,957**	**2,653**	**5,260**	**6,206**	**6,819**
Total liabilities & equity	**6,418**	**6,760**	**7,646**	**8,853**	**9,625**

Source: Company, FY23-25F are based on Indo Premier forecasts

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net income	(351)	460	662	1,365	1,751
Depr. & amortization	639	622	717	823	926
Changes in working capital	293	(54)	(46)	88	50
Others	266	(59)	(25)	72	47
Cash flow from operating	**847**	**970**	**1,307**	**2,348**	**2,775**
Capital expenditure	(564)	(147)	(947)	(1,579)	(1,535)
Others	42	203	0	0	0
Cash flow from investing	**(522)**	**56**	**(947)**	**(1,579)**	**(1,535)**
Loans	0	1,697	(1,697)	0	0
Equity	0	525	2,250	0	0
Dividends	11	(2,224)	(345)	(496)	(1,229)
Others	180	(65)	40	77	91
Cash flow from financing	**191**	**(67)**	**248**	**(419)**	**(1,138)**
Changes in cash	**516**	**959**	**609**	**349**	**103**

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	57.7%	59.7%	59.5%	60.0%	60.4%
Operating margin	-27.9%	16.5%	18.1%	24.5%	26.3%
Pre-tax margin	-37.3%	14.4%	16.8%	24.1%	26.0%
Net margin	-27.4%	10.5%	12.4%	17.8%	19.3%
ROA	-5.7%	7.0%	9.2%	16.5%	19.0%
ROE	-9.1%	14.7%	17.6%	24.9%	28.3%
Acct. receivables TO (days)	8.5	4.3	9.0	9.0	9.0
Inventory TO (days)	42.5	15.9	10.0	10.0	10.0
Payable TO (days)	226.2	92.4	75.0	75.0	75.0
Debt to equity	0.0%	64.0%	0.0%	0.0%	0.0%
Interest coverage ratio (x)	2.3	10.6	10.3	18.4	21.6
Net gearing	-27.5%	-13.3%	-50.5%	-48.5%	-45.6%

Source: Company, FY23-25F are based on Indo Premier forecasts