



Exeter Student Investment Fund

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Cineworld Group PLC

CINE:LSE

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- Recommendation to Buy Cineworld.
- Tracker : CINE:LSE
- Reasons to Buy
 - Continued vaccine roll out leading to opening of cinemas and other sectors
 - Strong growth pre-pandemic
 - One of the larger cinema chains in the world, more likely to be able to survive the loss of revenue and there may be the potential to acquire other cinema chains who may have collapsed in the pandemic.
 - Under new management: New chair of the board as well as a number non-executive director
- Potential Risks
 - Continued Coronavirus disruption to the operations.
 - Further competition from online streaming services.
 - Long-term low economic growth.

Cineworld Overview



- Founded in 1995, Cineworld is a UK based international cinema chain. It has over 9518 screens in over 790 sites in across 10 countries. It's company brands include Cineworld Cinemas, Picturehouse, Cinema City and Planet.
- It is the second largest cinema chain business in the world (by number of screens)
 - Its new Chair of the company Alicja Kornasiewicz was only appointed in May of 2020.
 - Its current Market Cap is 1.32 GBP
 - Revenue (GBP Million): 2018 – 3117, 2019 – 3394, Projected 2020 – 728, Projected 2021 – 1895, Projected 2022 - 3060
 - EBITBA (GBP Million): 2018 – 456, 2019 – 661, Projected 2020 - -493, Projected 2021 – 86, Projected 2022 – 526
 - Current share price: (GBX) :96.36





- CEO : Mooky Greidinger
- Joined the board in 2014 as CEO
- Was previously the CEO as Cinema city International and had worked as an executive there from 1984



- Chair of the Board : Alicja Kornasiewicz
- Became Chair on the 13th May 2020, but was previously on the board as a non-executive since 2015
- Has previously worked in Morgan Stanley, UniCredit and in Bank Pekao.
- She has also served in a number of political and ministerial positions for the Polish Government



- With the apparent success of the vaccine roll out there is the potential for great returns in Cineworld.
- With the new exit strategy in the UK from lockdown in the summer and a number of blockbuster movies delayed e.g. No Time to Die and packed movie schedule for 2021 the demand for the cinema experience should return.
- In lockdown there were very few blockbuster movies released straight to streaming services except a few notable exception, showing production companies are planning to wait to release their main movies.
- China being one of the first countries to exit a lockdown, there has huge boom in the Chinese Box Office, showing there is pent up demand for the movie experience, this bodes well for world-wide cinema demand.

- All these factors considered there is great potential for growth in the price of Cineworld over the 1-5 year time period.



- There are a number of potential catalysts that could see Cineworld's stock price to rise. Below are a list of a few key events that could cause a positive price inflection.
 - Expanding into the Chinese market, one of the largest cinema industries in the world.
 - Return to normal life and people being able to go to the cinemas again.
 - A number of Blockbuster releases.
 - Potential takeovers of other cinema chains to either increase market char or to enter previously unentered markets

Valuation



- Profit/Loss statement, with a Bearish market shows Cineworld's profit will return to pre-pandemic levels by 2025.
- Profit/Loss statement with a Bullish market shows that Cineworld will be able to make a strong level of profit by 2023 and by 2025 be stronger than pre-pandemic levels.
- Current number of stock (in thousands) : 1,372,797

	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
	2018	2019	2020*	2021	2022	2023	2024	2025
Revenue	4119.1	4369.7	1014.88	1860	2760	3654	4106	4685
Cost of Sales	-3125.4	-2749.1		-1395	-2070	-2740.5	-2668.9	-3045.25
Gross Profit	993.7	1620.6		465	690	913.5	1437.1	1639.75
Other operating Income	5.3	5.7		5.2	5.3	5.4	5.4	5.2
Administrative expenses	-506.1	-901.6		-520.5	-684	-743	-896.4	-901
Operating Profit	492.9	724.7	-687.3	-50.3	11.3	175.9	546.1	743.95
Net Finance Costs	-171.3	-541.7		-850	-760	-610	-540.5	-506.3
Profit Before Tax	349	212.3	-2266.8	-900.3	-748.7	-434.1	5.6	237.65
Tax	64.7	32		-166.556	-138.51	-80.3085	1.036	43.96525
Profit after Tax	284.3	180.3	-2025.6	-733.745	-610.191	-353.792	4.564	193.6848
Tax Rate	18.50%							

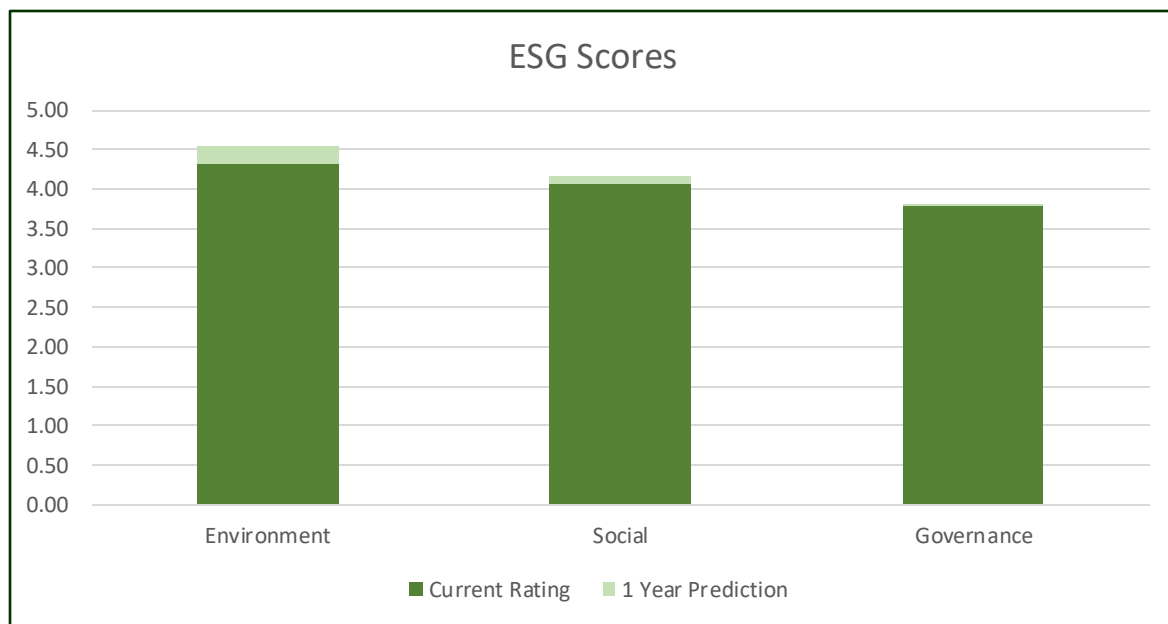
2020 values are estimates from market screener
Estimates are slow growth only returning to pre-pandemic levels by 2024

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Gross Profit	993.7	1620.6		959	1407	1504	1437.1	1800.75
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Net Finance Costs	171.3	-541.7		-850	-760	-610	-540.5	-506.3
Profit Before Tax	349	212.3	-2266.8	-406.3	-31.7	156.4	252	398.65
Tax	64.7	32		-75.1655	-5.8645	28.934	46.62	73.75025
Profit after Tax	284.3	180.3	-2025.6	-331.135	-25.8355	127.466	205.38	324.8998

ESG Considerations



- According to Sustainalytics rating Cineworld has a ESG Risk Rating of 14.6, this is on the Low Risk part of the scale.
- Cineworld has very few ESG considerations due to it not having a very large environment impact, but still it has moved from paper or cardboard posters of movies to electronic display boards.
- The main ESG consideration for is its energy intake and potential supply chain issues.



	Current	1 year prediction	5 year Average Growth
Environment	4.32	4.54	0.05
Social	4.07	4.18	0.03
Governance	3.79	3.80	0.00
Total ESG Score	4.06	4.17	
Projected Annual ESG Growth	1%		

Closing Summary



- With movies being a staple pastime for over the last 100 years and people being unable to have the cinema experience there is huge pent up demand for movies and with numerous blockbuster movies in the pipeline.
- Although past performance isn't a indicator for past performance, it has had strong growth over the last 10 years.
- Overall I would recommend that the Exeter Student Investment Fund buys Cineworld.
- I welcome any questions.