

A Work Project, presented as part of the requirements for the Award of a Master Degree in Finance from the NOVA – School of Business and Economics.

AMC Equity Research: The Future of the
Big Screen

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Abstract

Our paper is an equity research report on AMC Entertainment Holdings, the world's largest movie theater company, based primarily in the United States.

The major value drivers we considered for our valuation were attendance, average ticket price, and attendance per theatre, which served as a foundation for developing company estimates before using the chosen valuation model, the Adjusted Present Value.

Our final recommendation was taken into consideration, with certain risk factors to our valuation, resulting in a stock price of \$2.26, as well as a sensitivity study and a scenario analysis to enhance the work done in the company's analysis.

Keywords (up to four)

AMC
Entertainment
Attendance
Valuation

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This report is part of the ... report (annexed) and should be read as an integral part of it.

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Forecasting

Revenues Forecast

Overall, our goal for the forecast is to include the company’s ability to grow by itself with the liquidity that AMC has in hands, at least in a short-term perspective. In our valuation for this specific segment and company, we find a bit inaccurate to use market shares and GDP growth rates for the short-term forecast of attendance levels and consequent revenues. In the medium to long-term forecast, we assume a growth rate close to the real economic growth for our previsions to be aligned with the global economic environment. Forecasted Revenues can be consulted in Figure 24.

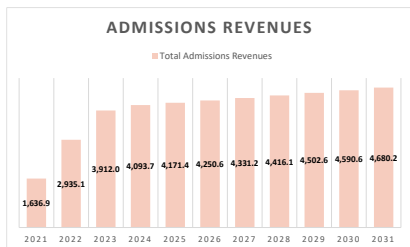


Figure 24 – Admissions Revenues, 2021-2031
Source: Analyst Computation

Attendance

The attendance forecast for 2022 and beyond is deeply correlated with the fundamentals behind the allocation of the excess cash by the company. By assuming that the company is using a great stake of the excess cash to invest in new acquisitions, it is logic that the levels of attendance vary accordingly with the investment made, therefore, attendance is driven by the number of theatres operated and the average attendance per theatre, by region.

The number of theatres operated is predicted to increase by 3.3% in 2022, roughly 31 theatres of which 23 in the domestic market while the remaining 8, internationally (Figure 25). This change is computed by dividing the net absolute change in property and operating leases assets by the average theatre valuation that it is assumed to stay constant at \$7.4 million, per venue, based on a steady historical valuation. For 2023 and 2024, the change in number of theatres operated is similar and only in 2025 our model assumes a slowing down and maintains a steady increase of 5 theatres worldwide, around 67 screen additions per year, and, since

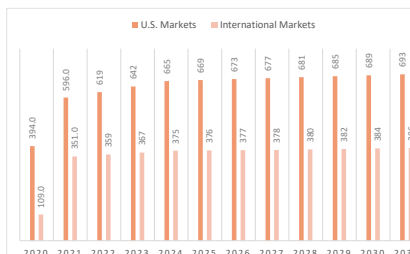


Figure 25 – Number of Theatres per Geography, 2021-2031
Source: Analyst Computation

this is about a net change, it is implicit all the closures and constructions that the company might do in each year.

The average attendance per theatre is the driver that accounts for our forecasts regarding the market demand. In 2021, it is expected this indicator to average at 196 million and 103 million for the US market and international markets, respectively. For 2022, we expect the number of guests per theatre to rebound further to 296 and 245 million, getting near historical values which is achieved by computing a weighted average considering still the year of 2020. From 2023 onwards, this metric stabilizes at an average pre-pandemic value of 388 million guests domestically and 286 million internationally. With these forecasts, we predict that by 2022, AMC is still exposed to new covid outbreaks and diverse restrictions that may arise, alongside the reluctance of people about going to a theatre.

Total attendance levels are, therefore, the result of both these components. For 2022, consolidated attendance is expected to reach 271 million, an increase of 77% compared to 2021. From 2023 onwards attendance is expected to grow at CAGR 3.82% domestically and 2.83% internationally. On Figure 26 is visible the split of attendance levels for both markets.

Attendance levels for 4Q21 have been computed with a different approach that we feel is the most appropriate considering the specific situation of the quarter. In the beginning of the year, AMC considered it would need to have levels of attendance for 4Q21 close to 90% of pre-pandemic levels to meet their short-term obligations, which corresponds to around 84 million guests worldwide, an increase of approximately 110% compared with the previous quarter. Following this and with the unfolding of the year, we believe this target is fair and attendance levels for 4Q21 will increase significantly compared with the previous quarter due to several reasons. Firstly, October marked the return of full capacity to the cinemas both in the US and internationally. Secondly, the releases of James Bond and three highly awaited MCU blockbusters: Venom, Eternals and Spider Man, which are surely going to boost attendance during Q4 specially with 100% capacity on theatres. Lastly, there is the next high season coming on Christmas and the subsequent holidays which are also going to represent a huge driver of attendance due to movies allusive to the season. Additionally, AMC is still very optimistic about this quarter and to secure those expectations announced together with Sony the offer of as many as 86,000 Spider-Man NFT's to AMC's stubs subscribers buying tickets for the upcoming movie, to celebrate the blockbuster's release, which will certainly boost attendance levels.

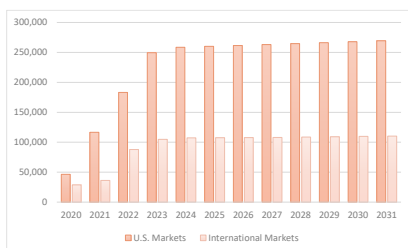


Figure 26 – Attendance per Geography, 2020-2031
Source: Analyst Computation

Average Ticket Price

Ticket prices are expected to keep their upwards trend. In our model, the price is driven by inflation levels in the US and for international markets separately. For 2021, the average ticket price registered an increase of 13% in the combined markets mainly due to post-pandemic inflation driven by consumption increase alongside economic reopening. For the future, the expected increase is of 1.5% for the US and 1% internationally, reaching an average price of \$12.3 in 2031 comparing to \$10.7, currently.

Food, Beverage & Other Theatre Revenues

The driver for these revenues is a percentage of admission revenues. The trends mentioned above have direct impact on the forecast, so we expect an increase from around 50% to nearly 57% in 2031 corresponding to yearly increases of this proportion by 0.6%, from 2023 onwards. The estimate for this caption is to steadily increase in the coming years and reach a plateaued level sometime in the future, in this case 2031. This is explained by the vision of a movie-going trip as a true experience for the guest instead of only watch a movie, as explained by the trends mentioned. Overall, food and beverage income will be near pre-pandemic values already in 2022 and reach \$2,648 million in 2031 (Figure 27).

Other theatre revenues are forecasted following an historical percentage of admissions revenues. Since this income comes mainly from advertisement, we believe that AMC is going to explore more this source of income in the coming years due to a visible rising historical trend and because it is becoming increasingly common in any kind of service to have adds so the customer pays less, and therefore, becoming the “traded product” between advertisement companies and movie theatres. Studies, conducted by the Houston Chronicle show that cinema advertising is “...eight times more effective at making your brand stand out from the crowd than television...” and cinema audience is “...four times more likely to be emotionally engaged than a television audience, ...”. Following this, AMC is expected to 15.7% of admissions in other theatre revenues reaching 2019’s levels already in 2022 and keep this percentage steady in the coming years (Figure 28).

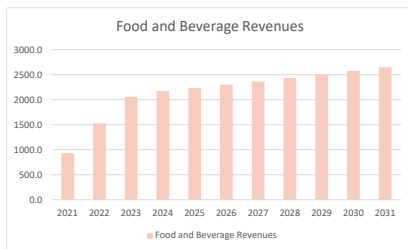


Figure 27 – Food and Beverage Revenues, 2021-2031
Source: Analyst Computation

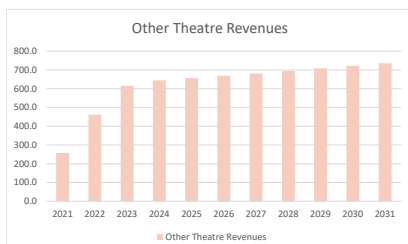


Figure 28 – Other Theatre Revenues, 2021-2031
Source: Analyst Computation

Costs Forecast

AMC’s cost structure is mostly composed by direct costs; therefore, it is accurate to forecast them as a percentage of the corresponding revenue source as these proportions show an interesting steadiness throughout the years. From 2022 onwards, film exhibition costs will represent 51.5% of admissions revenues and increase at a CAGR of 5.33%, food and beverage costs will be tight to the corresponding revenues on a 16.2% proportion and reach nearly \$250 million for 2022, just under pre-pandemic values. Operating expenses will continue to

represent almost a third of total revenues growing at CAGR 5.63% and represent the highest cost for AMC in absolute terms. Finally, rent is connected to operating leases and will represent 20% of total operating right-of-use assets, following historical figures, and maintain constant in the future.

Property forecast

Considering the historical decrease in property assets, it is difficult to come up with an average increase per year in the future. We believe these assets are set to increase due to two main factors. Firstly, since 2017, AMC has been decreasing its property assets in a tentative of closing underperforming theatres but still acquiring strategic ones. Until 2020 the net change was negative but has slowed down in 2021, in total, during these 4 years, AMC reduced its properties in 35%, having at the end of 2021 roughly 2 billion worth of these assets. Secondly, it is part of ACM's strategy to start investing the cash raised in mid-2021's in the acquisition of new venues. In a recent announcement made by Adam Aron, AMC is looking for both acquisitions and leases, however we predict a preference for acquisitions to strengthen the company's assets and avoid incurring in more indebtedness related to operating leases. For this effect, we forecast an overall increase in property of 33.5% from 2022 to 2031. This investment is founded by the proceeds from the equity issuance, and we assume, net of reserve cash, AMC will invest 50% of the proceeds, around \$690 million during the next 3 years (Figure 29).



Figure 29 – Property, net Forecasted, 2021-2031
Source: Analyst Computation

Regarding operating leases, our forecasts point to a steady behavior of this caption. Even though AMC might undergo into more lease contracts in the future as part of their strategy, it is assumed that the net change will be around zero due to some divestments of underperforming theatres as the company has been done for the past years. Following this, operating right-of-use assets are expected to remain around \$4.302 million until 2031.

Corporate Borrowings and Excess Cash

We expect AMC to reduce its corporate borrowings substantially in the future, as part of the strategy in the short and long-term. In 2021, the company already showed signs of repayment, paying down almost \$300 million driving corporate borrowings to stand at \$5.4 billion. From 2022 onwards, we respect the principal repayment schedule, and we achieve pre-pandemic levels by 2025, around \$4.2 billion (Figure 30). Additionally, we assume that the company will hold a steady amount of excess cash and will not burn the entire proceeds that it received in 2021 (Figure 30).

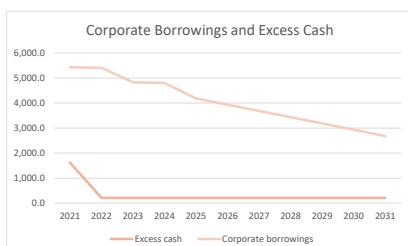


Figure 30 – Corporate Borrowings and Excess Cash Forecasted, 2021-2031
Source: Analyst Computation

All other main financial assets, comprising capital and financing lease liabilities, current maturities on leases and corporate borrowings are forecasted as a

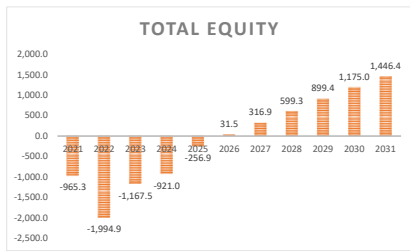


Figure 31 – Total Equity, 2021-2031
Source: Analyst Computation

percentage of operating right-of-use assets and increasing with inflation rate. Overall, our model predicts difficulties for AMC to reduce substantially its financial indebtedness over the years with a decrease from \$10.5 billion in 2023 to around \$7.8 billion in 2031. Book value equity stands around -\$2.0 billion as of 2022 and is predicted to fully rebound only in 2026, achieving a value of nearly \$1.5 billion in 2031 (Figure 31).

Valuation

The Adjusted Present Value (APV) valuation model was used, which allows for a changing debt structure approach. The discount rate required in our valuation model is the cost of unlevered equity, which must be applied to the unlevered free cash flows estimated in our cash flow map, based on our forecasting assumptions.

Discount Rate

Other important inputs for our valuation model are required to calculate the unlevered cost of equity, beginning with the cost of debt, which was derived from the difference between the 10-year yield of the credit rating attributed to AMC (CCC+) and the result of the multiplication of the annualized probability of default and the loss given default, reaching 13,03 %, a relatively high rate but in line with AMC's current financial position. Using 7 years of monthly returns historical data, the equity beta was calculated by comparing past stock returns to the Russell 3000 index returns. With a raw beta of 1,99 and a market risk premium of 11,35 %, we arrive at a 24,18 % cost of equity using the Capital Asset Pricing Model and assuming a risk-free rate of 1.59 % drawn from a ten-year US Treasury bond. With the AMC capital structure in mind and both cost of debt and cost of equity, an unlevered cost of capital of 19,42 % could be calculated.

Unlevered Free Cash Flows

Because of the significant impact of the Covid-19 epidemic on AMC, free cash flows are likely to be negative until the end of 2022. From 2023 onwards, a rebound in cash flows was forecasted, turning the tide to a positive trend and stabilizing, generating an average of \$415 million per year until the conclusion of the forecasted period. According to our forecasting and valuation model, the unlevered free cash flows expected from 2022 to 2031 showed a positive trend, rising from 158 million in 2023 to 553 million in 2031 (Figure 32). The figure for 2031 is closer to the value of 566 million in 2018, allowing us to conclude, based on our research and assumptions, that AMC will take some time to return to previous year's values financially.

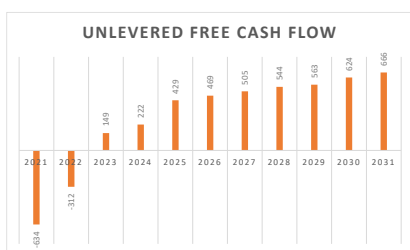


Figure 32 Unlevered Free Cash Flows, 2021-2031
Source: Analyst Computation

Growth rate, ROIC and Reinvestment Rate

The perpetual growth rate was calculated by multiplying the reinvestment rate (RR) by the return on invested capital (ROIC), with the most stable period assumed to be between 2025 and 2028, with an average ROIC of 8.8%, implying that if AMC cannot lower its cost of capital by this time, it will not be creating value because the cost of capital will be higher than the return on invested capital (Figure 33). On the other hand, this period will still be part of AMC's recovery period, during which the company is expected to change a negative ROIC into a positive one in a slightly increasing trend, according to forecasts. Assuming the same period of the stabilized ROIC, we averaged the reinvestment rate, reaching a value of 6,11%, which is considerably low in the M&E industry. When computing the final perpetual growth rate for the base scenario we have reached the value of 0,54%.

After computing both investment rate and return on invested capital, we have decided to do a sensitivity analysis to better capture the impact it would have on the perpetual growth rate. We have assembled a table (Table 6) to display this sensitivity analysis where we vary both the RR and ROIC 0.5% positively and negatively three times, reaching a worst-case scenario of 0,33% and a best-case scenario of 0,78% for the perpetual growth rate.

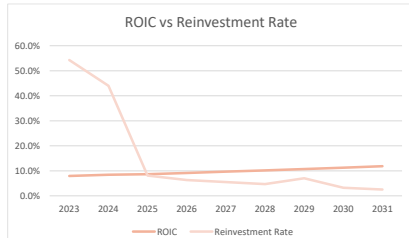


Figure 33 – ROIC and Reinvestment Rate, 2021-2031

Source: Analyst Computation

Reinvestment Rate	ROIC								
	7.92%	8.42%	8.92%	9.42%	9.92%	10.42%	10.92%	11.42%	11.92%
4.66%	0.37%	0.39%	0.42%	0.44%	0.46%	0.48%	0.51%	0.54%	0.56%
5.16%	0.41%	0.43%	0.46%	0.49%	0.51%	0.54%	0.57%	0.60%	0.63%
5.66%	0.45%	0.48%	0.50%	0.53%	0.56%	0.59%	0.62%	0.65%	0.68%
6.16%	0.49%	0.52%	0.55%	0.58%	0.61%	0.64%	0.67%	0.70%	0.73%
6.66%	0.53%	0.56%	0.59%	0.63%	0.66%	0.69%	0.73%	0.76%	0.79%
7.16%	0.57%	0.60%	0.64%	0.67%	0.71%	0.75%	0.78%	0.82%	0.85%
7.66%	0.61%	0.65%	0.68%	0.72%	0.76%	0.80%	0.84%	0.88%	0.91%

Table 6 – Sensitivity Analysis on Growth Rate

Source: Analyst Computation

Scenario analysis

The covid-19 pandemic has proven to be an extremely strong external factor affecting the economic environment and AMC faced an exposure to certain events that disrupted its normal activity and consequently impacted the forecasts on future performance, therefore, it is certainly useful to perform scenario analysis. For AMC we modelled a different approach to this tool: instead of focusing mostly on revenue drivers by varying margins and growth rates for each scenario, we incorporated the unique situation AMC finds itself in, "swimming in a pool of cash", since we consider this event as one that might also bring more uncertainty to our valuation as well as a reliable and tangible source of volatility to our forecasts.

At the end of the first semester of 2021, AMC had, roughly, \$1,800 million in cash and cash equivalents, a figure that is higher than their average equity book value from 2017 to 2019. Thus, it is wise to control for what the company might do in the short term with this amount of cash.

AMC expects to enhance their ability of managing and preserving cash and contradict the cash-burning tendency until now. To achieve this, the CEO, Adam Aron, plans to lock several acquisitions, reduce some debt, and pay down unpaid rent that was postponed to 2021. So, we wanted to quantify how these measures would impact AMC's valuation. The reports from the third quarter of the current year

already revealed some of these measures taking place such as debt reduction, deferred rent payments and a consequent decrease in cash. Following this, we consider 4 major and non-exclusive measures that the company might take and assign a value to them, in line with the CEO's latest announcements and industry trends. The main actions can be consulted in Table 7, below.

Main Measures	
Strategic Acquisitions	Buy theatres and rent some theatres that were being leased by competitors and are not currently operating.
Debt Reduction	Urgent to reduce the interest expenses.
Long-Term Investments	Investments in VR, AMC's streaming platform and popcorn business.
Cash Reserves	Hold cash as excess cash

Table 7 – Sensitivity Analysis on Growth Rate
Source: Analyst Computation

Measures	Base Scenario	Grey Sky Scenario	Blue Sky Scenario
Property Acquisitions	50%	10%	35%
Debt Reduction	-	35%	20%
Investments (VR and Streaming)	50%	15%	25%
Excess Cash	-	10%	20%

It is assumed that these measures have major impacts in the corresponding captions of the balance sheet, such as Property, Operating Leases, Corporate Borrowings, and Excess Cash. Three scenarios were built according to the amount of excess cash allocated to each measure: Base Scenario, Grey Sky Scenario and Blue Sky Scenario (Table 8).

Additionally, we also incorporate uncertainty coming from the industry and the global economy by varying the attendance per theatre that AMC might observe in the future. The attendance levels will vary accordingly with the pandemic evolution and the capacity of AMC to rebound its pre-pandemic attendance levels per theatre. Therefore, three different values for this driver were assumed, one for each scenario (Table 9).

The Base Scenario is the base valuation already discussed above which goes in line with our strongest and most believed forecasts.

The Blue Sky scenario assumes an optimistic view about the attendance per theatre, in this case, it will recover faster reaching nearly 400,000 guests in the US and 289,000 internationally, corresponding to one of the best years so far. Investments wise, AMC will invest 60% of the cash in hands, about \$830 million, on property and long-term investments (VR and popcorn business) and 20% will be used for debt reduction. This optimistic view returns a price close to \$2.93.

The Grey Sky Scenario is more conservative with the focus being reducing debt and reserve cash for strategic uses in the long-term. Attendance per theatre is assumed to be more sluggish to rebound and reach 308,000 attendees domestically and 271,000 in international markets, values considerably far from pre-pandemic levels. In terms of investments, the company will just allocate 25% of excess cash, approximately, \$350 million. Debt will be the focus with an allocation of 35%. This

	Attendance per Theatre	
	U.S.	International
Base Scenario	388.8	285.9
Grey Sky Scenario	308.0	271.6
Blue Sky Scenario	399.5	289.4

Table 9 – Attendance per Theatre per Scenario
Source: Analyst Computation

scenario represents in a certain way the threshold that AMC cannot pass as the price for this scenario stands at \$0.03, meaning the AMC is worth barely anything. In conclusion, our approach focuses on whether AMC takes the advantage to change and adapt to the new trends within the industry by using its resources in an effective way or if the company continues with its historical tendency of bad cash management and misses the opportunity to innovate and remain as the big screen world leader. Either way, we believe that the probability of a scenario more optimistic is low.

Sensitivity Analysis

We have performed a sensitivity analysis to better understand how would change our target price by varying 0.5% each way (positive and negative) the discounted rate used, which in this case was the unlevered cost of equity, and by varying 0.2% each way (positive and negative) the growth rate used for the perpetuity. We've put together a table (Table 10) to help visualize both inputs and determine how sensitive the price is. In this analysis, the best-case scenario for the share price was \$1.97, with a negative change of 1% in the unlevered cost of equity and a negative change of 0.4% in the growth rate. The opposite scenario results in a \$1.29 share price.

		Ru					
		2.2645	18.42%	18.92%	19.42%	19.92%	20.42%
Growth	0.14%	2.49573	2.31821	2.15056	1.99303	1.84192	
	0.34%	2.47828	2.29894	2.12967	1.96967	1.81823	
	0.54%	2.46026	2.27886	2.10791	1.94640	1.79558	
	0.74%	2.44104	2.25792	2.08524	1.92218	1.76797	
	0.94%	2.42115	2.23606	2.06161	1.89694	1.74130	

Table 10 – Sensitivity Analysis on share price
Source: Analyst Computation

Relative Valuation

The relative valuation for AMC was performed through a comparison to its closest peers, naturally inserted in the same segment as the company and with comparable sizes and business models. These companies include Cineworld, Cinemark and Cineplex. Due to the current circumstances of the industry, the analysis did not seem fair using historical or LTM figures and therefore, it was used the forward-looking multiples retrieved from Bloomberg for 2022. Although these values might already be somehow corrected for the pandemic effects, this valuation still faces the bias from AMC record valuation, consequently resulting in higher multiples, far from peers' values.

The multiples used were the EV/EBITDA, EV/Sales and P/Sales, with P/E and EV/EBIT being discarded due to negative values recorded by the company for earnings and EBIT in 2022. The gap between AMC's multiples and its peers is considerably significant since the company holds an EV/EBITDA multiple 4 times higher than the rest of the industry which is totally explained by the stock climb in June. Therefore, when using the median in a tentative of removing outliers, we end up by removing the reality of AMC. Nevertheless, we end up with a price of \$5.37 with the P/Sales multiple which is different from our base valuation of \$2.10 through the APV model. Overall, our price range for the P/Sales multiple is from \$2.11 to \$30.32. In this case it is more suitable to look for the first quartile which represents the industries reality and where AMC will tend to. In this analysis, AMC is the outlier

due to the current synthetic price that it holds and, interestingly, the range represents exactly the current and the true price of the company.

Stock Price and Final Recommendation

Based on our APV forecasting model AMC holds a market capitalization of \$1,162 million. Considering the shares outstanding of 513 million, it leads to a share price of \$2.26. As of the 16th of December 2021, AMC's stock price stood at \$24.45, indicating that it trades on a huge premium close to 10x the fair value. Thus, the final recommendation to the investor is to SELL.

Risk Factors

The trustworthiness of our valuation is dependent on a number of risk variables that could modify some external conditions relating to AMC's environment, causing some of our key assumptions to fail, resulting in an unreliable valuation. After then, the Covid 19 outbreak and streaming alternatives as new forms of competition are the two key risk factors we have opted to explore.

Covid 19 pandemic

The Covid 19 is without a doubt a risk that AMC and the entire Movie Theatre Segment are concerned about, as another outbreak might entail in the closure of public venues. As a result, the uncertainty caused by the virus is linked to movie's attendance, which is our primary value driver. As box office sales are AMC's main source of revenue, another outbreak would put the company in a vulnerable financial position. Furthermore, our model forecasts the other two revenue streams as a percentage of the box office revenues since people do not go to a theatre to buy popcorns and sodas and not buy a movie ticket.

This pandemic also means that other threats to this segment have increased, such as the negotiation of movie release windows, which appears to be shrinking with time as film distributors lose bargaining power and streaming companies gain, which will negatively impact companies with similar characteristics to AMC.

Intense competition

Various organizations compete in the movie entertainment industry across various scopes, geographies, and circuits; for example, a smaller independent film exhibitor can compete with AMC theaters on a regional scale. However, the rivalry isn't only about attracting people; it's also about licensing films, securing the greatest partnerships, and fighting for the finest advertising, among other aspects. All of this was already a difficult environment in which to compete, but AMC will also have to contend with the ongoing growth of online content platforms.

In this competitive context, the well-known phenomenon of streaming platforms must be considered, as they provide substitute services and goods to those provided by traditional content distributors of entertainment in the movie theater segment. Finally, the most important risk element for our value is how consumer preferences will change in the future, which will be determined by what strategies AMC pursues in the future and how the competition landscape evolves. Our belief is that the need to go to the movies will not go away, even though all of these options will make it less frequent but more demanding in terms of entertainment experience.

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AMC Entertainment Holdings

MEDIA & ENTERTAINMENT SECTOR

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COMPANY REPORT

17 DECEMBER 2021

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AMC: Equity Research

The Future of the Big Screen

- In the post pandemic period, AMC Entertainment Holdings took a massive strike, hitting rock bottom and putting the company in a precarious financial position with a difficult and demanding future ahead. Due to the shutdown of all public venues, theatres were left with no visitors, and attendance fell by 78.9% from 2019 to 2020, having a direct influence on its operational result and leading AMC to constitute a significant amount of debt.

- The Movie Theatre Segment is currently stagnated, and it has been squeezed out in recent years due to the growing popularity of streaming platforms. The emergence of these types of internet services intensified the already fierce competition and made the industry's future even more dubious.

- The movie-going experience is extremely crucial for AMC, since going to the movies is becoming more of a once in while event than a routine. As a result, AMC's strategy must place a strong emphasis on customer engagement together with a sustainable growth. Nonetheless, AMC is already pursuing an investment plan by entering the multi-billion-dollar popcorn business, which has strong margins and is complementary to the company's primary activity, as well as investing further in VR technologies.

- Using the Adjusted Present Value as our valuation model, AMC's target price for 2022 is \$2.26, while the closing share price on December 16th, 2021, was \$24.45, implying a massive 10-fold premium.

Company description

AMC Entertainment Holdings is a movie exhibition company headquartered in Leawood, Kansas. It operates in the US, Europe, and Saudi Arabia.

Recommendation: **SELL**

Price Target FY21: **2.26 €**

Price (as of 1617-Dec-21) **24.45 €**

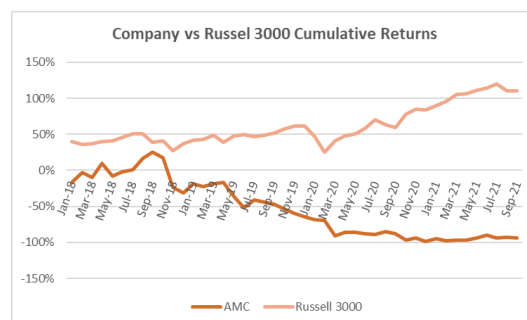
Bloomberg: AMC US

52-week range (€) 1.91 – 72.62

Market Cap (\$ bn) 12.551

Outstanding Shares (m) 513.330

Source: Yahoo Finance



Source: Yahoo Finance

THIS REPORT WAS PREPARED EXCLUSIVELY FOR ACADEMIC PURPOSES BY MANUEL FARINHA AND DUARTE CRUZ SILVA, A MASTER IN FINANCE STUDENTS OF THE NOVA SCHOOL OF BUSINESS AND ECONOMICS. THE REPORT WAS SUPERVISED BY A NOVA SBE FACULTY MEMBER, ACTING IN A MERE ACADEMIC CAPACITY, WHO REVIEWED THE VALUATION METHODOLOGY AND THE FINANCIAL MODEL. (PLEASE REFER TO THE DISCLOSURES AND DISCLAIMERS AT END OF THE DOCUMENT)

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Company Overview

Company Description

American Multi-Cinema (AMC) is a movie theatre chain headquartered in Leawood, Kansas. It was founded in 1920 and later renamed to its current name – American Multi-Cinema. In 1962, AMC assumes a pioneering role within the industry by opening the first multiplex theatre in the world, providing more film options at the same theatre, and run the biggest hits in more than one screen. The company expanded internationally by implementing this concept throughout the UK in the mid-80’s and Europe afterwards. In the last two decades, AMC has launched several new products and extensions to its services, becoming the world’s largest theatrical exhibition company. Nowadays, AMC is the industry leader operating 947 theatres with more than 10.000 screens composed by a diversified set of screens and sound technologies ranging from IMAX projection systems, 3D technology, Dolby Cinema (Vision laser projection and Atmos sound) and Dine-in theatres. Additionally, AMC is present in 14 countries including the US, Saudi Arabia, and the most prominent European economies. In 2017, the company invested a total of \$20 million in VR technology by opening VR rooms in a partnership with Dreamscape Immersive and, in 2022, will enter in the popcorn business.

Business Model

AMC’s theatrical exhibition business is based on licensing first-run movies from distributors that can be either independent or owned by a film production company. Additionally, it offers food and beverage products such as popcorn, hot dogs, snacks, candy, soft drinks, alcoholic drinks, and full meals. The company operates under two reportable segments – U.S. Markets and International Markets. The pricing strategy for each geographical segment is different, in the U.S. Market the average price for a ticket is around \$11 whereas internationally, a movie entrance costs around \$9. This difference in prices justifies, in a certain way, the existence of both segments, while the movie-going experience in the U.S. is about dine-in and premium sitting screens, the international experience is more about watching a movie. From (Table 1), only a fraction of the dine-in and premium sitting screens are present in the international markets, and therefore, the average ticket price is lower. AMC completes its business model by offering the AMC Stubs customer loyalty program which allows to connect and engage even more with its guests and

Total Number of Screens (in %)		
Screen Format	U.S. Markets	International Markets
IMAX®	2.4%	1.4%
Dolby Cinema™	2.0%	0.3%
Other Premium Large Format ("PLF")	0.7%	2.7%
Dine-in theatres	9.4%	0.5%
Premium seating	43.6%	19.8%
Normal Seating	41.9%	75.5%
Total Screens Operated	100.0%	100.0%

Table 1 – Total Number of Screens (in %) Source: Analyst Computations

AMC Stubs	A-LIST	PREMIERE	INSIDER
Points per \$1 Spent	X		
Up to 3 movies every week included in all formats	X	X	
More with FREE online reservations			
Free size upgrade on Food & Beverage	X	X	
Priority lanes at box office	X	X	
Waived online ticketing fee	Every Time	Every Time	For 4+ Tickets
Discount tuesdays	X	X	X
Free large popcorn refill	X	X	X
\$5 reward for every 5,000 points	X	X	X
Birthday gift	Large Popcorn and Fountain drink	Large Popcorn and Fountain drink	Large Popcorn
Free member Wi-Fi	X	X	X
Exclusive offers	X	X	X

Table 2 – AMC Stubs Loyalty Programs
Source: AMC Website

secure an additional source of revenue. The program is composed by three plans – AMC Stubs A-List, AMC Stubs Premier, and AMC Stubs Insider (Table 2). Overall, this business model has become outdated, and the Covid-19 pandemic only accelerated the transition to a more digitalized industry. AMC that was once the main innovator and pioneer of the sector, has already been stagnating long before covid as well as the attendance levels across the industry. The rising prices is the factor that keeps the revenues slightly growing which hinders the demand and squeezes the business model even more.

Company Analysis

Revenue Value Drivers

AMC has three sources of revenue – Admissions, Food and Beverage and Other Theatre Revenues. Considering the relatively simple business model and the existence of only two business units, the revenues coming from admissions are driven by two core drivers – attendance level and the average ticket price of each geographical segment. Food and Beverage revenues are directly correlated with the attendance levels and follow an historical expenditure per “patron”. Lastly, Other Theatre revenue is mainly composed by advertisement in theatres and commission fees, therefore, they are forecasted as a percentage of the total admission revenues.

Attendance

AMC has been able to maintain a stable level of attendance during the last 8 years (excluding 2020) alongside a slight growth in some years. In 2017, total attendance increased significantly due to the acquisitions of Carmike (December 2016), Odeon (November 2016) and Nordic (March 2017). The acquisition effect impacted attendance already in 2016 with an increase of 9.3%, surpassing the 200 million guest’s barrier (Figure 1). The following year, the increase was around 61%, from 215 million to 347 million guests and stood just above 350 million for 2018 and 2019. Interestingly, the increase in screens operated was far more expressive than this increase in attendance, suggesting that these two indicators have a low correlation between them, and AMC was not able to fully capitalize on this investment. The number of screens almost doubled after the acquisitions with a 91% increase, from 5,592 to 10,675 screens, in the consolidated markets, as Figure 2 shows. Furthermore, it can be observed the deterioration of attendance per screen from 2016 onwards.

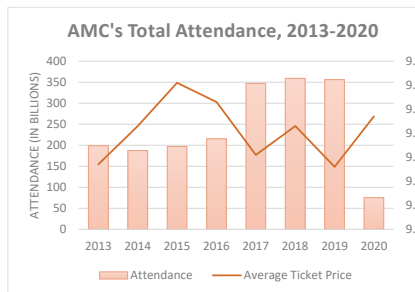


Figure 1 – AMC's Total Attendance, 2013-2020
Source: Analyst Computation

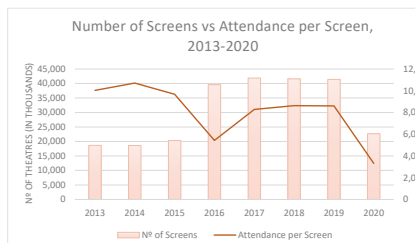


Figure 2 – Number of Screens vs Attendance per Screen, 2013-2020
Source: Analyst Computation

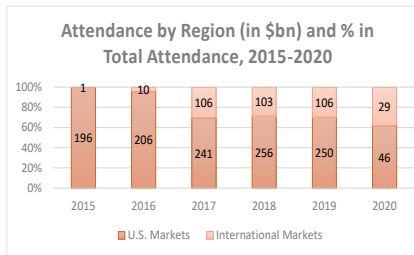


Figure 3 – Attendance by region, 2015-2020
Source: Analyst Computation

The domestic market (U.S. Market) is where AMC holds most of its attendance levels. The number of guests visiting AMC theatres have been growing steadily and reached its peak in 2018 with 256 million guests. However, in 2019, AMC saw its domestic attendance drop by 2.1% to 250 million. In the international markets, this figure is also increasing until 2017 and plateaued since then. In 2020, attendance naturally decreased by 81,4% in the U.S. and 73% internationally with a combined decrease of 79%, around 281 million guests (Figure 3).

Following the late 2016 and early 2017 acquisitions' rally, international markets have been gaining relevance regarding attendance levels. From 2017 to 2019, domestic markets accounted for approximately 70% of total attendance, while, in 2020, this figure dropped to around 60%. Considering that, until 2016, domestic markets represented no less than 96% of the total attendance (Figure 3), AMC seems to be quickly gaining more international exposure and the pandemic only confirmed that tendency, thus, based on these figures we believe it is a trend to hold in the future.

Average Ticket Price

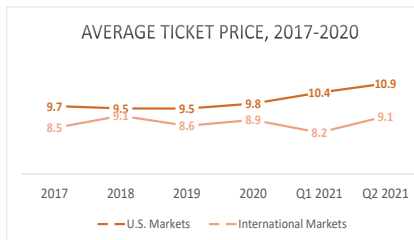


Figure 4 – Average Ticket Price, 2017-2020
Source: Analyst Computation

The average ticket price of AMC is clearly different between both business units. For the U.S. Market, the price is generally higher and has been steadily increasing since 2017 from \$9.7 to \$10.9 in the second quarter of 2021, an increase of more than 12%. Internationally, ticket prices fluctuated more but always around \$8 - \$9 (Figure 4).

Overall, ticket prices have been growing ever since, and in the last two decades the increase was significant from \$5.39 in 2000 to \$9.47 in 2020, in consolidated terms, a growth of almost 100%. In 2021, the price increased even more to \$10.2 and \$10.6 in Q1 and Q2, respectively. We expect the average ticket price to grow with inflation and keep the mix between both business units.

Food & Beverage & Other Revenues Drivers

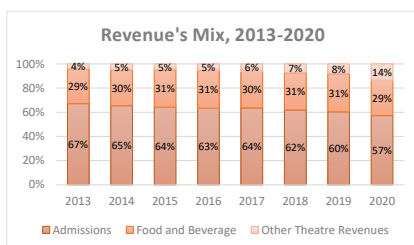


Figure 5 Revenue's Mix, 2013-2020
Source: Analyst Computation

These two types of income for AMC are driven as the percentage of the total admission revenues due to the strong connection observed; as admissions increase, more guests consume in-theatre food and beverage as well as more viewers of advertisement on the screen. However, over the last years, AMC is getting more revenue through these channels and therefore, the percentage is getting higher, as shown in Figure 5. Since 2013, the proportion of food and beverage income to total revenues stayed constant at 30% while other revenues increased from 4% to 14%. The business model of AMC and the industry as whole is changing and becoming more than just theatrical exhibition, our model incorporates that, and these drivers are definitely relevant to reflect that.

Profitability

Over the last few years, AMC’s operating margin was clearly volatile reaching its peak in 2018 of around 5%. Despite a slight improvement in 2018, the net profit margin also reflects the same downwards tendency, in this case, this metric presents negative figures of -9.6% and -2.7% for 2017 and 2019, respectively (Figure 6). AMC demonstrates an incapability to sustain its profitability and especially positive net profit margins. Looking to the industry the contrast is evident, operating margins stood above 11% for all years while the net profit margin ranged between 10% and 4%. Despite the decreasing trend, these values are definitely higher than AMC’s margins, more than double in all years.

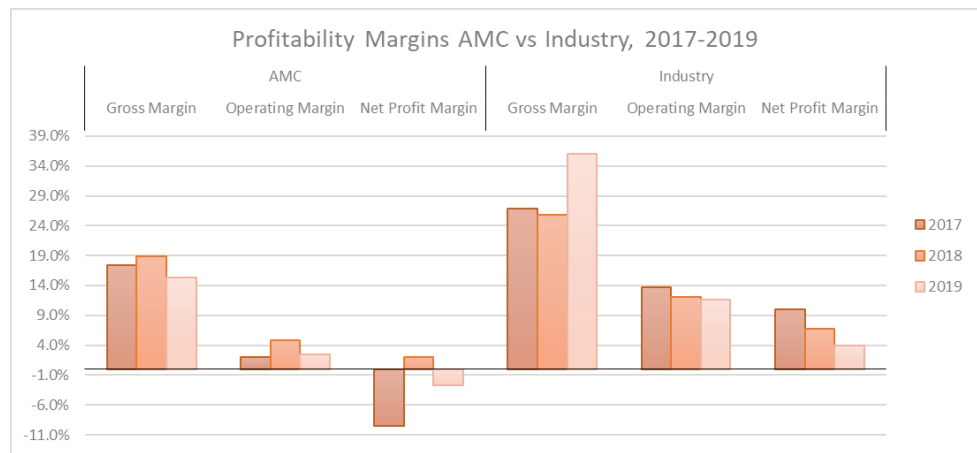


Figure 6 – Profitability Margins AMC vs Industry, 2017-2019
Source: Analysts Estimates

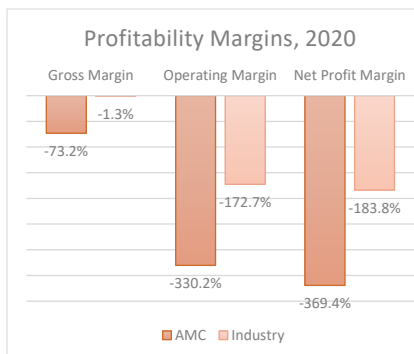


Figure 7 – Profitability Margins
Source: Analyst Computation

Regarding 2020, the analysis is made sideways due to the extreme values (Figure 7). However, the negative impact of the pandemic just confirmed AMC’s position against its peers, dramatic operating and net profit margins of lower than -300% comparing with approximately -180% for the industry. Moreover, even though, AMC’s peers were able to cover their direct operating expenses, AMC was unable to do it through its gross margin which stood at -73.2%. In 2021, the company is showing signs of recovery but still with negative margins, with a net profit margin of -36.3%.

Capital Structure

From 2018 to 2020, the Unlevered Free Cash Flows trended lower, reaching \$566.4 million in 2018, \$714 million in 2019, and -\$1,078 million in 2020, the latter being the negative peak due to the adverse impact of the Covid-19 epidemic. Only in 2021 did the cash flow value contradict this pattern, indicating a cautious response by the corporation, as this figure was -\$634 million. However, due to a change in accounting standards in 2019, the cash flow for that year was

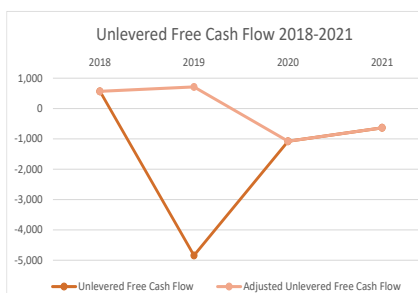


Figure 8 – Unlevered Free Cash Flow, 2018-2021
Source: Analyst Computation

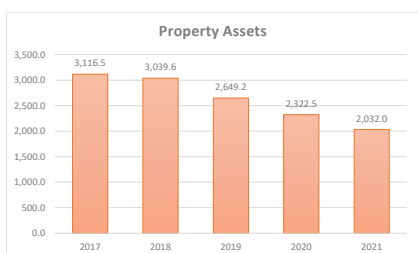


Figure 9 – Property Assets, 2017-2021
Source: Analyst Computation



Figure 10 – Core Liabilities, 2017-2021
Source: Analyst Computation

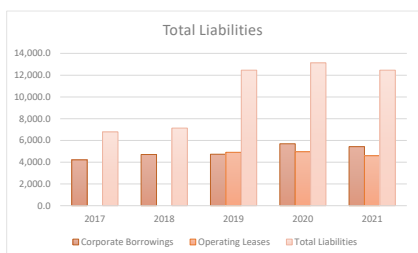


Figure 11 – Total Liabilities, 2017-2021
Source: Analyst Computation

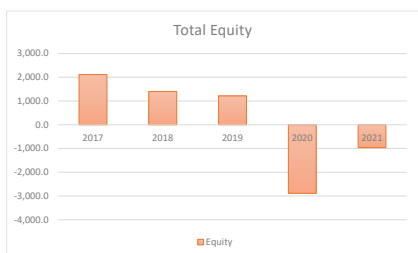


Figure 12 – Total Equity, 2017-2021
Source: Analyst Computation

significantly negative which did not reflect the underlying worth, thus, an adjustment was made for 2019 as can be seen from Figure 8. Following this decision, the cash flow for 2019 is the highest in the last four years. Overall, it is clear that AMC is still very far from pre-pandemic cash flow levels.

The two core components, property and operational leases right-of-use assets are significant to reflect on the company's core assets, where the first is primarily tied to the theatres held by the corporation and the second is mainly related to the rents paid for the theatres not owned. The property caption's evolution is plainly negative, from \$3,116.5 million in 2017 to \$2,032 million in 2021, reflecting the closure of underperforming theatres and subsequent sale, allowing the company to minimize some fixed expenditures (Figure 9). In terms of core liabilities, they have stayed stable from 2017 to 2020, averaging around \$1,800 million and declining to \$1,518 million in 2021 (Figure 10).

The investment caption stands out among the non-core business components for its downward trend from \$412 million in 2017 to \$117 million in 2020, with a figure of \$251 million in 2021 showing the company's recovery after the pandemic's significant impact and uncertainty in 2020. Overall, total non-core invested capital reaches its lowest point in 2020, as expected, and then begins to recover in absolute terms in 2021.

The company's current debt, which incorporates short-term debt, long-term debt, and operating leases, stood at \$12,3 billion in 2019 comparing to \$13,1 billion in 2020, completing one more year of this caption's increasing trend since 2017. For 2021, AMC was able to reduce its total liabilities to \$12,5 billion. The major red flag for AMC is the corporate borrowings which represent a significant part of its total liabilities, approximately 43% in 2020 and 2021. Operating right-of-use liabilities also account for a great share of the company's liabilities of about 38% over the last three years. Due to these levels of indebtedness, AMC still earns a very poor credit rating of CCC+.

The company's equity has followed the trend from previous captions' analyses, declining from 2017 to 2020 and then showing a little hint of recovery in 2021, reaching a less negative value of -\$965.3 million, but it is still a huge red flag alongside with the one raised for the company's debt. The corporation was compelled to borrow enormous amounts of money to cover accumulated losses over a series of accounting periods, which explains the negative result. In the worst-case scenario, this could indicate a financial distress situation.

When looking at industry peers' balance sheets and comparing them to AMC's, what stands out is that, despite a dramatic decrease, none of them have a negative equity value for 2020, indicating the magnitude difference that the Covid-19 has had on the theatre business, with AMC being the most damaged (Figure 13).

Capital Structure Ratios

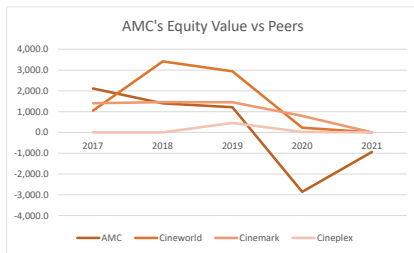


Figure 13 – AMC's Equity Value vs Peers, 2017-2021
Source: Analyst Computation

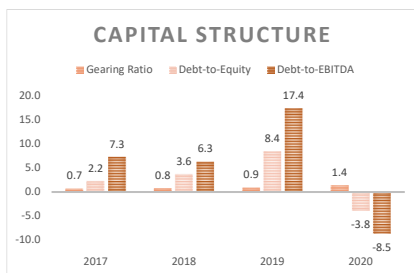


Figure 14 – Capital Structure, 2017-2021
Source: Analyst Computation

		2017	2018	2019	2020
AMC	Solvency Ratio	0.27	0.17	0.10	-0.22
	Financial Autonomy Ratio	0.22	0.15	0.09	-0.28
	Industry	0.84	0.51	0.29	0.07
Industry	Solvency Ratio	0.43	0.34	0.23	0.06
	Financial Autonomy Ratio				

Table 3 – Solvency Ratios, AMC vs Industry, 2017-2020
Source: Analyst Computation

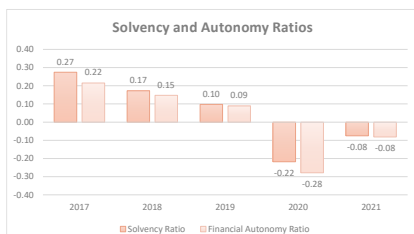


Figure 15 – Capital Structure, 2017-2021
Source: Analyst Computation

AMC's main capital structure KPIs have increased over the past 4 years (Figure 14). The one presenting a higher increase is the value of Debt-to-EBITDA, increasing from 7.3 to 17.4. The drivers leading to this increase are both the significant increase in Net Debt, which for itself, increased over 100% in just two years, and the decrease in EBITDA. The gearing ratio gives us the amount of debt by each unit of invested capital, core and non-core. From the graph, from 2017 to 2019, this ratio increased from 0.7 to 0.9, meaning that there is more debt per unit of invested capital. As for the last ratio, debt-to-equity, there was also a meaningful increase from 2.2 to 8.4. This represents a huge increase, while in 2017, for each dollar of equity there was around 2 dollars of debt, in 2019, AMC has more than 8 dollars of debt for each dollar of equity. With less extreme ratios, an increase of the debt-to-equity ratio would mean that the company was moving away from a riskier perspective (equity financed) into a more return-focused perspective (debt financed), however, in AMC's dimension, this is a worrying scenario due to the burden placed on the company's balance sheet which will become evident in 2020. For 2020, only the gearing ratio keeps its relevance increasing to 1.4, while the others are not meaningful considering the negative values of equity and EBITDA on that year.

AMC's ratios are performing poorly and appear to be distinct within the industry. Table 3 shows that a deeper analyses into the solvency and financial autonomy ratios between AMC and its peers reveals a considerable gap in performance. Overall, the industry ratios have been deteriorating over the last few years including AMC's ratios, the only difference is the lower degree where the company stands which works as a launchpad to a more drastic situation in 2020. AMC's solvency ratio decreased from 0.27 to -0.22 in 2020. Own its own, this means that the company has no capacity to meet its short-term obligations, when comparing to its peers it becomes more dramatic because, despite the hit, they can still maintain a minimal level of solvency. As for the financial autonomy ratio, the scenario remains the same with AMC reaching negative values and the industry decreasing from 0.43 to 0.06 in 2020, and thus maintaining a minimal financial autonomy that AMC lost. For 2021, AMC manages to turn these figures less negative to around -0.1 for both ratios, evidencing a recover mainly due to an enhancement of the equity for the year but still negative (Figure 15). However, this position is not sustainable for the future, raising another red flag on the risk that the company is bearing as of now and the fact that it is not an industry syndrome as its peers hold better ratios.

Liquidity

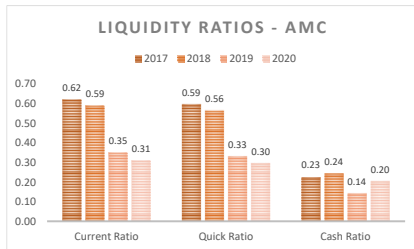


Figure 16 – AMC’s Liquidity Ratios, 2017-2020
Source: Analyst Computation

Throughout the last 3 years, AMC has presented a decrease in its current ratio, meaning that the ability to cover its obligations with its short-term assets is lower, approximately, only a third of their current assets cover their current liabilities (Figure 16). This evolution is related to a decrease in receivables and the inclusion of current maturities for operating leases as current liabilities from 2019 onwards. The quick ratio follows the same pattern and the difference for the current ratio is minimal, as this only considers the assets that are more likely to be “quickly” converted, thus excluding inventories. This is explained by the simple fact that AMC operates with very low levels of finished goods and the ones existing have a considerable low value, for instance, popcorns. Finally, the cash ratio stood stable and around 0.2 for 2020 meaning that the company is able to pay one fifth of its liabilities right away. Overall, AMC’s liquidity position has been worsening over the years, which is not surprising (Figure 16).

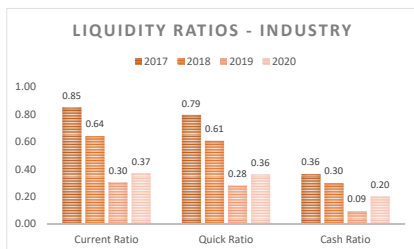


Figure 17 – Industry’s Liquidity Ratios, 2017-2020
Source: Analyst Computation

When comparing to the industry, AMC has been underperforming ever since, except for 2019 where it records a cash ratio of 0.14 compared to 0.09 for the industry (Figure 17). In 2020, AMC is very close to its peers in all ratios, especially on the cash ratio which stands at 0.2 for both. For 2021, AMC is expected to finish the year with \$1.669 million in cash and cash equivalents which covers its total short-term liabilities, yielding a cash ratio of 1.06. Nevertheless, these ratios do not give a full picture of AMC as they only look to the near future. In an industry where approximately 85% of total liabilities are non-current, liquidity ratios can be misleading, even though, these figures already point to liquidity struggles for the sector. In AMC’s especial case for 2021, this excess liquidity is more about a bottle of oxygen running out soon rather than a sign of liquidity health as this cash comes from an unusual funding event and not from the company’s operating profitability.

Stock Performance

Using a 5-year review of historical pricing, AMC was listed at roughly \$35.00 in early 2017, with most analysts claiming it was overpriced, culminating in a 60 percent slide to \$13.00 in early 2018 (Figure 18). From this point until the speculation in 2021, the stock exhibited reasonable stability, with a downwards trend over time, eventually reaching a price of \$2.12, in the beginning of 2021.

In early June 2021, AMC reached an all-time intraday record price on its stock of \$72.62, a considerable unusual event for a company recording low and sometimes negative earnings during the last years and operating in an industry considered to be stagnating in the last decade. In June alone, AMC gained more than 110% after an increase of 160% in May, totaling a six-months rally climb of around 3,000% from \$2.01 closing price on January 4 to \$62.55 on the 2nd of June. AMC enjoyed the ride and took the opportunity to cash-in some funds which becomes important

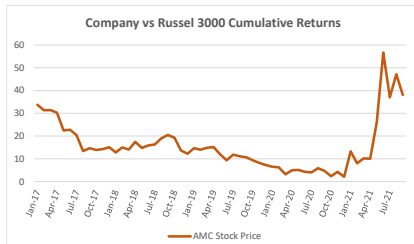


Figure 18 – Cumulative Returns, AMC vs Russel 3000
Source: Analyst Computation

for the valuation. Throughout the first semester, the company entered in equity distribution agreements and raised gross proceeds of approximately \$1,611.8 million corresponding to just under 250 million shares, 2x the number of shares outstanding at the end of 2020. As investors might see the increase in share price positive, it is imperative to look out for the heavy stock dilution that AMC created to its old investors. The company increased its shares outstanding nearly 5x, from 104 million shares in 2019 to 514 million shares in 2021. This dilution could have been even greater, as AMC declared in the third quarter that it planned to issue 500 million additional shares, but this decision was not followed through. As of December 2021, AMC is trading around \$25 registering a share price decrease of more than 50%.

Strategy

AMC has suffered a huge impact with the Covid-19 pandemic, resulting in the closure of theatres all around the world. In strategy terms, the pandemic compromised the long-term strategy and led AMC to adopt short-term strategies to be able to, progressively, adapt to new realities as they were quickly changing. Generally, AMC has its strategy based on three main pillars with them being customer engagement, customer experience and sustainable expansion. The main conclusions drawn from this are that the reality of AMC is totally unaligned with its strategy and from the three, it is arguable that the company is only delivering one properly, which is customer engagement. AMC engages with its guests mainly through its loyalty programs and general offers. The membership programs seem to be working very well due to the adherence from its guests. In 2020, 45% of the attendance in the US segment was from AMC Stubs program members, which indicates that, besides the unusual year, the loyal customer base stucked with AMC. Moreover, in 2019, the company surpassed 50 million subscribers on its programs.

Delivering a great experience inside theatres is also working modestly well for AMC with continuous improvement of their theatre auditoriums as well as the quality of the sound and the formats that are offered. The enhancement of food and beverage offers together with investment in Premium Large Formats (PLF) auditoriums to obtain additional attendance revenues, are examples of experience improvement by the company. However, the level of attendance per screen keeps oscillating every year from 370 to 401 million between 2017 and 2019, indicating that this can be improved especially when competing with streaming options.

Lastly, AMC’s long-term sustainable growth strategy is completely failing due to the fact that since 2017, their net change in theatres is negative meaning that the

company is closing more underperforming venues than opening new ones which is the complete opposite of a sustainable growth strategy, especially when is funded with so much indebtedness. In 2017, AMC closed almost 260 theatres across the globe and in the following years this number stood around 210, in terms of openings, the figure stands around 140 theatres, yearly. This strategy was, luckily for the company, left on standby due to Covid-19. Interestingly, most of these closures result from difficulties in renegotiating lease contracts for these locations, which can indicate an incapacity of AMC to sustain fixed costs for these venues and probably a loss of bargaining power towards the landlord due to the level of lease liabilities held by the company.

The macro perspective of AMC’s strategy of maintaining a strong position in the Movie Theatre market by achieving competitive advantages, leading positions and consequent bigger market share are lacking significantly. The majority of this underperformance is due to a failing strategy that is reflecting on the company’s earnings, cash-flows and mostly on ROIC that is deteriorating year after year (Table 4).

AMC is planning to enter the multibillion-dollar business of popcorn by opening up to 15 retail stores in the US and selling freshly popped and microwavable packages in supermarkets, convenience stores and mall stands. This concrete strategy might have an interesting impact on the company’s business due to diversification opportunities, high margins practiced in the popcorn market and the possibility of reaching to streaming subscribers and continue to secure a profit from them.

Industry Overview

AMC is the world's largest movie theater chain, with over 30% of the market share in the Entertainment & Media industry's Movies and Entertainment segment (M&E). When it comes to the digital road that the sector is taking, it has seen a significant transformation in the last ten years. During the pandemic, the digital trend that M&E is following was accelerated because all physical products and experiences that this business had to offer were shut down, forcing people to shift their consumption habits and adjust their behaviors in order to meet their demands.

The pandemic hurt E&M revenues, which fell by 3,8% from \$2,1 trillion in 2019 to \$2,0 trillion in 2020, marking the largest year-over-year drop in the industry's history. Despite this difficult phase, a five-year CAGR of 5% is predicted, bringing revenues to US\$2,6 trillion in 2025, providing positive overall prospects for this industry.

Movie Theatre Segment

ROIC				
		2018	2019	2020
Core ROIC		11.8%	4.1%	-30.8%
1st Breakdown	Core Asset Turnover	245.1%	253.4%	19.7%
	Core Operational Margin	4.8%	1.6%	-156.1%
ROIC				
		3.7%	1.4%	-37.5%
1st Breakdown	Asset Turnover	80.4%	84.5%	10.9%
	Operational Margin	4.6%	1.6%	-344.3%

Table 4 – ROIC, 2018-2020
Source: Analyst Computation

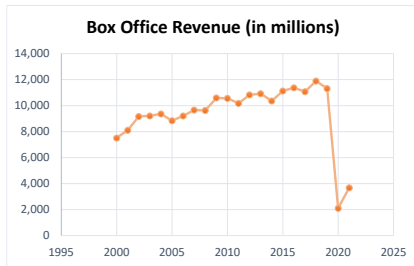


Figure 19 – Box Office Revenue
Source: Analyst Computation

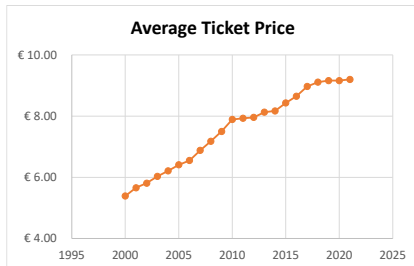


Figure 20 – Average Ticket Price
Source: Analyst Computation

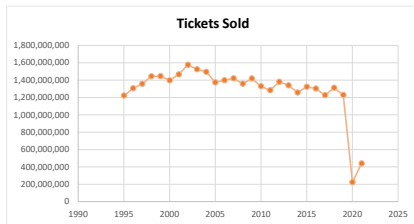


Figure 21 – Number of Tickets Sold
Source: Analyst Computation

The Movie Theatre business has been struggling for the past decade, but Covid-19 has given the heaviest blow to this sector by shutting public venues and boosting home entertainment popularity through a range of streaming options, resulting in a 60.5% drop in income in 2020. Because, once again, consumer wants and behaviors are altering, streaming services have replaced movie theatres as the standard means of film distribution. When looking at domestic box office revenue since the turn of the century, there is a clear upward trend in absolute terms (Figure 19), which was unexpectedly interrupted in 2020, when it fell to a never-before-seen low, going from \$11,321 million in 2019 to \$2,103 million in 2020. It is also worth noting that the average ticket price has climbed 70% from 2000 to 2021, with average prices of \$5.39 and \$9.20, respectively (Figure 20).

Domestic theatre attendance has been declining since the turn of the century, ranging between 1,200 million to 1,600 million tickets sold. From 2010 onwards, this trend became even more pronounced, with all ticket sold values falling below 1,400 million (Figure 21). When these two variables, average ticket prices and attendance levels, are considered, it is reasonable to conclude that the increasing trend in the average ticket price is responsible for the boost in box office revenues over time, as tickets sold in the first ten years of the century remained relatively constant, while tickets sold in the second ten years of the century showed a clearly decreasing trend. As a result, the increase in box office revenue did not imply that more individuals went to the theaters; rather, a much larger shift in price justified that increase.

Movie Release Windows War

Movie release windows are a crucial factor for the movie theatre sector and since the early 1980's the industry has been battling against other types of film distributors about the length of these periods in which a movie is exclusively distributed by a movie theatre, the so called "theatrical window". The original time span of a window was set to be 6 months which was incredibly maintained until 2019 despite all the forcing and pushing made by major movie distributors to shrink it in an attempt to make up for the losses of the DVD segment since their revenue peak in 2004. Due to the extreme dependence of movie theatres from these windows, the 6-month standard was kept and only in 2019 the window was reduced by half, to 90 days for releases in physical home video and rental availability and 74-76 days before digital sell-through. Before the pandemic, Disney had been, alone, the fiercest defender of maintaining the current theatrical window but with the recent launch of Disney+ the position of the movie producer and distributor can change and pave the way for window shortening in the future. The pandemic alongside theatre closures around the world accelerated the window war and gave

producers a huge bargaining power resulting in a new window shortening to 45 days in just 2 years. AMC's CEO, Adam Aron, together with other theater companies threatened, throughout these 2 years to not show any movie from Universal and other distributors if the window was further decreased. Disney estimates that, on average, 95% of box office revenues are achieved in the first 6 weeks after a movie release, thus, the latest patamar of 45 days is already hurting movie theatre revenues even if only in a small percentage. It is clear that AMC and its peers are losing ground and are now in a danger zone considering that a shorter window might seriously harm their revenues. Looking to this impact already in 2021, a 5% cut in AMC's income would be around \$140 million, a considerable hit in a segment already striving for profits.

Nonetheless, movie theaters will not disappear from the landscape of new offers, the most obvious of which is streaming. A recent study conducted through a survey found that, assuming Covid-19 was over and the film release was available on both streaming platforms and theaters, movie theaters will continue to play a role in people's preferences as 35% of people would probably watch a movie at a theatre and almost 60% assumes the chance of watching a movie not at home. Thus, streaming services are expected to take a larger share of the market over the coming years, however they will not completely eliminate the movie theatre segment.

Trends

Movie-going as an experience

The film exhibition business started with the sole goal of entertaining people no matter what the show was or how was it exhibited to the audience. It was a social event where friends would gather and watch whatever was passing on the screen. With movie diversity kicking in within the industry together with several innovations and exciting storytelling, the content started to get more relevance and movie-going as a routine emerged. Over the past two decades, new technologies and a shift on new generations' habits deeply impacted how people perceive going to a theatre. With the rising of new digital options, film exhibitor companies also need to account for the increasing easiness of its guests to access advanced equipment, such as big screen TVs, powerful sound systems and comfortable leisure furniture to replicate a movie experience at home. This plus the rise of streaming services are shaping new generation habits and dragging people to their homes instead of the cinema. Theatre chains have step it up and overcome some of new domestic technologies by offering 3D and 4D options, bigger screens, IMAX screens, astonishing sound systems and a broad variety of

consumables. AMC itself accounts for 6 different types of theatre seating formats and more than 40 products under the food and beverage options which is also a common industry practice. All in all, most people do not go to the cinema to just to watch a movie because that they can do easily at home, they are going to see the movie together with the whole experience that it encompasses. A clear illustration of this trend is the increase of food and beverage revenues as percentage of admissions which was around 43% in 2013 and stands at 51% in 2020. For 2021, it is expected to reach a figure of 57% which is explained by the high quarterly values registered throughout the year, averaging nearly 70% (Figure 22). In conclusion, the similarities between going to the theatres watch a movie and go to an event, such as a concert or a football match are closer than ever, with people buying their tickets, sometimes seasonal, go to the venues, watch some adds, eat some food and then enjoying the actual event, in this case the so anticipated movie. Movie-going is therefore becoming more of an experience than a routine for most of the audience.

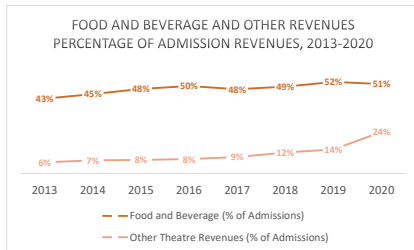


Figure 22 – Average Ticket Price
Source: Analyst Computation

Blockbusters’ Rising Importance

Blockbusters are the main fuel for the theatrical exhibition industry since its inception. Tied to this great movie releases, which account for most of theatres’ revenues, is the releasing schedule that has been followed religiously by the industry since “Steven Spielberg’s invention” of the summer blockbuster when his 1975’s Jaws hit the big screen in June that year. Until a couple of years ago, the 18-week period between April and August was, therefore, characterized by the arrival of blockbusters to the movie theatres. Studios have been strict with this routine and are reluctant to the change, which is understandable since this period yields around 50% of total domestic box office revenues for the year, corresponding to \$5.4 and \$5.3 billion for 2018 and 2019, respectively. However, since 2018 until now there are various examples of blockbusters triumphing outside this period such as Deadpool in 2016 with an opening of \$132 million, and Chadwick Boseman’s Black Panther with a new record of \$202 million two years after. Additionally, US Labour Day weekend, at the beginning of September, is turning into a hot spot for new releases as in 2021 Marvel’s Shang-Chi set a new opening record of \$75 million. Form Figure 23, it is visible the increase in the number of releases occurring in Q1 overcoming the 300-barrier in 2018. There is also a trend towards Q2, with 369 releases and all-time highs in box office revenue averaging \$3,300 million for 2018 and 2019, which is justified by the release of Marvel’s phase 4 closing blockbusters, Avengers Infinity War and Avengers Endgame.

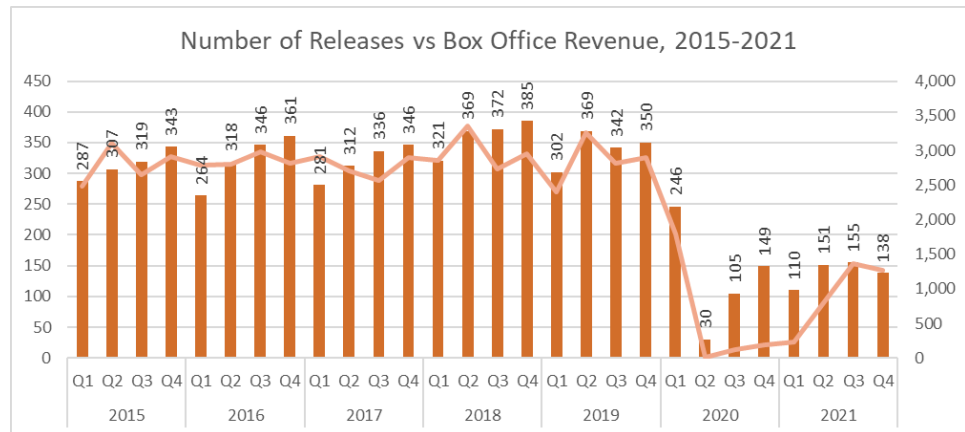


Figure 23 – Number of Releases vs Box Office Revenue, 2015-2021
Source: Analyst Computation

Finally, it is still worth to mention slight decline in Q4, thus becoming more even in terms of number of releases and revenue with the rest of the year. The pandemic came to shake the traditional releasing calendar, and even though, 2021 is still resenting from its effects it is visible a more even distribution throughout the year. It is believed that this trend will keep for the future as these movies show studios and producers that a good film can be virtually successful in any time of the year.

A balanced distribution of blockbusters throughout the year might be good news for AMC and the segment. Besides the window war, some studios announced that they would start to release some movies directly to streaming platforms. Beginning in 2022, Warner Bros is planning on release 50% of its movies to movie theatres and the other half through HBO Max. These actions can be seen as an attempt to avoid low opening results of a wide range of movies that would be better off going directly to streaming platforms. Therefore, a steady flow of content, mostly blockbusters, and consequent income for theatrical exhibition companies, throughout the entire year, would benefit them as supply for indie movies might get lower.

All these trends are bringing structural changes to the whole industry, not only the film exhibition sector. The covid-19 pandemic accelerated the process at a considerable pace and in all key elements within the segment. The 45-day window and the new blockbuster paradigm will require AMC and other companies to adapt and think about their business models as they might be changing very soon.

Internet and digital trends

The hallucinating progress of technology is forcing industries such as the movie theater to reconsider their strategies in order to keep up. The internet's accessibility and affordability are increasing year after year. According to Internet World Stats, there will be 6 billion internet users in 2022 and nearly 8 billion in 2030, representing a substantial percentage of the global population.

Nowadays, everyone can buy anything on the internet; millions of e-commerce platforms have been created, and practically all types of consumption, including entertainment, can be accessed via the internet. In 2021, 70% of internet users aged 16 to 64 would consume TV programming through streaming devices, on a monthly basis, indicating that the internet's expansion has allowed new digital trends to grow and prospect as alternate forms of entertainment to those that already existed.

In the context of the movie theater segment, the latest trends are streaming platforms such as Netflix, HBO, Disney+, Amazon Prime, and others, which are a huge emerging and already confirmed trend that is causing people to consume other types of entertainment or, to put it another way, different environments to get the same entertainment. This transforming process was intensified by the Covid 19 pandemic, and the main victim was movie theater companies, which had little capacity to manage and limit their financial impact.

Competitive Landscape

Cineworld Group plc

Founded in 1995, Cineworld Group is the world's second-largest theatre chain right after AMC. Based in England it stands as the leading European cinema group after the acquisition of Cinema City and Regal Entertainment Group in 2014 and 2018, respectively. Cineworld is present in 9 European countries and 42 states in the US, having 9,311 screens in 767 theatres and offering a diversity of theatre technologies, highlighting 4DX and ScreenX where the screen extends to the walls of the auditorium, surrounding the audience with a 270-degree panoramic screen view. In the beginning of 2021, Regal announced a 10 million investment to bounce back from the Covid-19 impact on their latest and more technological models, such as, Regal Premium Experience, ScreenX and 4DX.

Revenues stood at \$852 million for 2020, around 80% below average pre-pandemic levels of \$4,200 million while EBITDA margin improved from 17.3% in 2017 to 23.6% in 2019. In terms of attendance, Cineworld increased its admissions 3 times from 2017 to 2018 as a result of the acquisition and recorded a decline for 2020 of about 79%, in line with revenues. The ROE has been decreasing reaching 9.2% in 2019, second best among its peers (Figure 24).

In 2020, Cineworld has tried to acquire Cineplex by \$2.8 billion and concentrate the industry even more, however, the deal has fallen due to alleged breaches of the contract by Cineplex, which were not confirmed and Cineworld was fined in \$1.24

billion. It is worth to note that if the acquisition went through, Cineworld would surpass AMC in number of screens and extend the presence in three main markets – United Kingdom, United States and Canada – meaning a close rivalry with AMC for the world leadership.

Cinemark Holdings, Inc

Cinemark completes the top three dominant players in the Movie Theatre market and stands out mostly in markets like Brazil, with 30% market share, and the rest of South America, in which it has a strong presence. Founded in 1984, Cinemark accounts for 5,897 screens in 524 theatres across the world.

In the beginning of 2021, it established new agreements and strengthened existent ones with major Hollywood studio partners, like Warner Brothers, Walt Disney Studios, Paramount, and others, to show films for predefined time and then avoiding going straight to streaming platforms and other types of home video. Currently, Cinemark is diversifying its strategy by focusing on gaming initiatives, then being able to extend their entertainment offers to the public and merge the joy of going to a movie theatre and gaming.

Cinemark has a slight inferior dimension comparing to AMC and Cineworld. It has recorded steady and growing revenues since 2017 reaching the peak at \$3,283 million in 2019, exactly 60% of AMC's income level, while in 2020, the damage was also around 80%. EBITDA margin stood stable at around 23% until 2019 and reached negative figures as for 2020. Attendance has also been stable at approximately 280 million guests and the company holds the lowest revenue per attendee of \$12.64 for 2020. Regarding ROE, Cinemark is able to deliver the highest return to its shareholders, even though this figure has been declining from 19.9% to 13.5% in the course of just two years (Table 5).

Cineplex Inc.

Cineplex is a Canadian movie theatre company founded in 1999. Operates 165 theatres and 1,687 screens, being the smallest of AMC's direct competitors. Cineplex could be in a different situation as of 2020, however, as mentioned for Cineworld, the deal between both companies was left unclosed.

Like the other players in the market, Cineplex also offers a variety of cinema formats like IMAX, 4K projectors, 4D films and VIP cinemas. Lately, it also has taken the next step to diversify its business beyond the core one, by opening a restaurant chain called "The Rec Room", a shared entertainment area englobing bars, gaming zones, simulators, and cinema screens with the goal of delivering a different and more complete entertainment experience. Cineplex has also invested a lot in VR technology in the past couple of years proving the cinema business new path is

Revenues	2017	2018	2019	2020
AMC	5,079.2	5,460.8	5,471.0	1,242.4
Cineworld	1,147.0	4,119.1	4,369.7	852.3
Cinemark	2,991.5	3,221.7	3,283.1	686.3
Cineplex	1,213.5	1,258.3	1,299.4	326.4
EBITDA				
AMC	479.5	1,003.8	619.2	-3,674.3
Cineworld	198.2	894.5	1,033.0	-651.6
Cinemark	723.8	781.5	745.0	-276.9
Cineplex	184.2	199.8	316.7	-43.6
EBITDA Margin				
AMC	9.4%	18.4%	11.3%	-295.7%
Cineworld	17.3%	21.7%	23.6%	-76.5%
Cinemark	24.2%	24.3%	22.7%	-40.3%
Cineplex	15.2%	15.9%	24.4%	-13.4%
ROE				
AMC	-8.6%	-0.7%	-12.9%	-372.6%
Cineworld	14.8%	15.5%	9.2%	-57.7%
Cinemark	19.9%	15.1%	13.5%	-55.5%
Cineplex	9.7%	11.1%	5.8%	-204.0%
Attendance				
AMC	346.8	358.9	356.4	75.2
Cineworld	103.8	308.4	275.0	54.4
Cinemark	277.0	282.1	279.6	54.3
Cineplex	70.4	69.3	66.4	13.1
Revenue per Attendee				
AMC	14.65	15.22	15.35	16.52
Cineworld	11.05	13.36	15.89	15.67
Cinemark	10.80	11.42	11.74	12.64
Cineplex	17.24	18.16	19.58	24.97

Table 5 – Relevant Indicators per Company, 2017-2020
Source: Analyst Computation

already being defined. For this purpose, the company acquired, in September 2018, a stake of VRStudios, a provider of virtual reality installations to utilize around 40 VR centres across Canada.

Cineplex is the smallest in size with increasing revenues since 2017 averaging around \$1,250 million and \$326 million for 2020. The EBITDA margin has improved in all years and registered the less negative value of all the peers. Attendance levels are clearly distant from its competitors and have decreased slightly since 2017 while, in 2020, the decreased was over 80%. However, this allows Cineplex to a revenue per attendee above average that has also been improving considerably from \$17.24 in 2017 to \$24.97 in 2020 (Figure 24).

Forecasting

Revenues Forecast

Overall, our goal for the forecast is to include the company’s ability to grow by itself with the liquidity that AMC has in hands, at least in a short-term perspective. In our valuation for this specific segment and company, we find a bit inaccurate to use market shares and GDP growth rates for the short-term forecast of attendance levels and consequent revenues. In the medium to long-term forecast, we assume a growth rate close to the real economic growth for our previsions to be aligned with the global economic environment. Forecasted Revenues can be consulted in Figure 24.

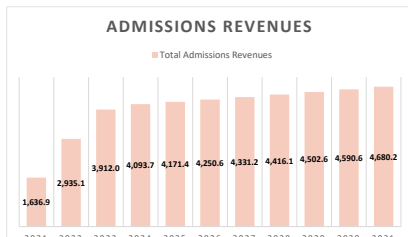


Figure 24 – Admissions Revenues, 2021-2031
Source: Analyst Computation

Attendance

The attendance forecast for 2022 and beyond is deeply correlated with the fundamentals behind the allocation of the excess cash by the company. By assuming that the company is using a great stake of the excess cash to invest in new acquisitions, it is logic that the levels of attendance vary accordingly with the investment made, therefore, attendance is driven by the number of theatres operated and the average attendance per theatre, by region.

The number of theatres operated is predicted to increase by 3.3% in 2022, roughly 31 theatres of which 23 in the domestic market while the remaining 8, internationally (Figure 25). This change is computed by dividing the net absolute change in property and operating leases assets by the average theatre valuation that it is assumed to stay constant at \$7.4 million, per venue, based on a steady historical valuation. For 2023 and 2024, the change in number of theatres operated is similar and only in 2025 our model assumes a slowing down and maintains a steady increase of 5 theatres worldwide, around 67 screen additions per year, and, since

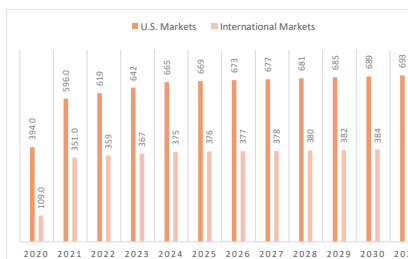


Figure 25 – Number of Theatres per Geography, 2021-2031
Source: Analyst Computation

this is about a net change, it is implicit all the closures and constructions that the company might do in each year.

The average attendance per theatre is the driver that accounts for our forecasts regarding the market demand. In 2021, it is expected this indicator to average at 196 million and 103 million for the US market and international markets, respectively. For 2022, we expect the number of guests per theatre to rebound further to 296 and 245 million, getting near historical values which is achieved by computing a weighted average considering still the year of 2020. From 2023 onwards, this metric stabilizes at an average pre-pandemic value of 388 million guests domestically and 286 million internationally. With these forecasts, we predict that by 2022, AMC is still exposed to new covid outbreaks and diverse restrictions that may arise, alongside the reluctance of people about going to a theatre.

Total attendance levels are, therefore, the result of both these components. For 2022, consolidated attendance is expected to reach 271 million, an increase of 77% compared to 2021. From 2023 onwards attendance is expected to grow at CAGR 3.82% domestically and 2.83% internationally. On Figure 26 is visible the split of attendance levels for both markets.

Attendance levels for 4Q21 have been computed with a different approach that we feel is the most appropriate considering the specific situation of the quarter. In the beginning of the year, AMC considered it would need to have levels of attendance for 4Q21 close to 90% of pre-pandemic levels to meet their short-term obligations, which corresponds to around 84 million guests worldwide, an increase of approximately 110% compared with the previous quarter. Following this and with the unfolding of the year, we believe this target is fair and attendance levels for 4Q21 will increase significantly compared with the previous quarter due to several reasons. Firstly, October marked the return of full capacity to the cinemas both in the US and internationally. Secondly, the releases of James Bond and three highly awaited MCU blockbusters: Venom, Eternals and Spider Man, which are surely going to boost attendance during Q4 specially with 100% capacity on theatres. Lastly, there is the next high season coming on Christmas and the subsequent holidays which are also going to represent a huge driver of attendance due to movies allusive to the season. Additionally, AMC is still very optimistic about this quarter and to secure those expectations announced together with Sony the offer of as many as 86,000 Spider-Man NFT's to AMC's stubs subscribers buying tickets for the upcoming movie, to celebrate the blockbuster's release, which will certainly boost attendance levels.

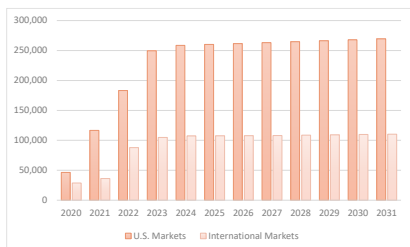


Figure 26 – Attendance per Geography, 2020-2031
Source: Analyst Computation

Average Ticket Price

Ticket prices are expected to keep their upwards trend. In our model, the price is driven by inflation levels in the US and for international markets separately. For 2021, the average ticket price registered an increase of 13% in the combined markets mainly due to post-pandemic inflation driven by consumption increase alongside economic reopening. For the future, the expected increase is of 1.5% for the US and 1% internationally, reaching an average price of \$12.3 in 2031 comparing to \$10.7, currently.

Food, Beverage & Other Theatre Revenues

The driver for these revenues is a percentage of admission revenues. The trends mentioned above have direct impact on the forecast, so we expect an increase from around 50% to nearly 57% in 2031 corresponding to yearly increases of this proportion by 0.6%, from 2023 onwards. The estimate for this caption is to steadily increase in the coming years and reach a plateaued level sometime in the future, in this case 2031. This is explained by the vision of a movie-going trip as a true experience for the guest instead of only watch a movie, as explained by the trends mentioned. Overall, food and beverage income will be near pre-pandemic values already in 2022 and reach \$2,648 million in 2031 (Figure 27).

Other theatre revenues are forecasted following an historical percentage of admissions revenues. Since this income comes mainly from advertisement, we believe that AMC is going to explore more this source of income in the coming years due to a visible rising historical trend and because it is becoming increasingly common in any kind of service to have adds so the customer pays less, and therefore, becoming the “traded product” between advertisement companies and movie theatres. Studies, conducted by the Houston Chronicle show that cinema advertising is “...eight times more effective at making your brand stand out from the crowd than television...” and cinema audience is “...four times more likely to be emotionally engaged than a television audience, ...”. Following this, AMC is expected to 15.7% of admissions in other theatre revenues reaching 2019’s levels already in 2022 and keep this percentage steady in the coming years (Figure 28).

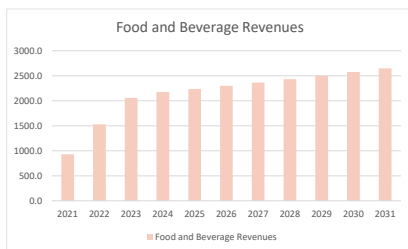


Figure 27 – Food and Beverage Revenues, 2021-2031
Source: Analyst Computation

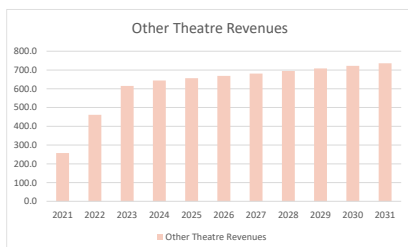


Figure 28 – Other Theatre Revenues, 2021-2031
Source: Analyst Computation

Costs Forecast

AMC’s cost structure is mostly composed by direct costs; therefore, it is accurate to forecast them as a percentage of the corresponding revenue source as these proportions show an interesting steadiness throughout the years. From 2022 onwards, film exhibition costs will represent 51.5% of admissions revenues and increase at a CAGR of 5.33%, food and beverage costs will be tight to the corresponding revenues on a 16.2% proportion and reach nearly \$250 million for 2022, just under pre-pandemic values. Operating expenses will continue to

represent almost a third of total revenues growing at CAGR 5.63% and represent the highest cost for AMC in absolute terms. Finally, rent is connected to operating leases and will represent 20% of total operating right-of-use assets, following historical figures, and maintain constant in the future.

Property forecast

Considering the historical decrease in property assets, it is difficult to come up with an average increase per year in the future. We believe these assets are set to increase due to two main factors. Firstly, since 2017, AMC has been decreasing its property assets in a tentative of closing underperforming theatres but still acquiring strategic ones. Until 2020 the net change was negative but has slowed down in 2021, in total, during these 4 years, AMC reduced its properties in 35%, having at the end of 2021 roughly 2 billion worth of these assets. Secondly, it is part of ACM's strategy to start investing the cash raised in mid-2021's in the acquisition of new venues. In a recent announcement made by Adam Aron, AMC is looking for both acquisitions and leases, however we predict a preference for acquisitions to strengthen the company's assets and avoid incurring in more indebtedness related to operating leases. For this effect, we forecast an overall increase in property of 33.5% from 2022 to 2031. This investment is founded by the proceeds from the equity issuance, and we assume, net of reserve cash, AMC will invest 50% of the proceeds, around \$690 million during the next 3 years (Figure 29).

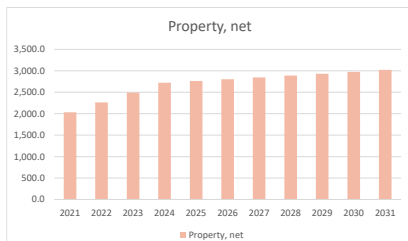


Figure 29 – Property, net Forecasted, 2021-2031
Source: Analyst Computation

Regarding operating leases, our forecasts point to a steady behavior of this caption. Even though AMC might undergo into more lease contracts in the future as part of their strategy, it is assumed that the net change will be around zero due to some divestments of underperforming theatres as the company has been done for the past years. Following this, operating right-of-use assets are expected to remain around \$4.302 million until 2031.

Corporate Borrowings and Excess Cash

We expect AMC to reduce its corporate borrowings substantially in the future, as part of the strategy in the short and long-term. In 2021, the company already showed signs of repayment, paying down almost \$300 million driving corporate borrowings to stand at \$5.4 billion. From 2022 onwards, we respect the principal repayment schedule, and we achieve pre-pandemic levels by 2025, around \$4.2 billion (Figure 30). Additionally, we assume that the company will hold a steady amount of excess cash and will not burn the entire proceeds that it received in 2021 (Figure 30).

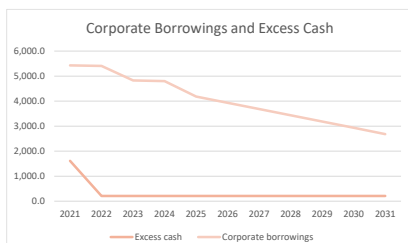


Figure 30 – Corporate Borrowings and Excess Cash Forecasted, 2021-2031
Source: Analyst Computation

All other main financial assets, comprising capital and financing lease liabilities, current maturities on leases and corporate borrowings are forecasted as a

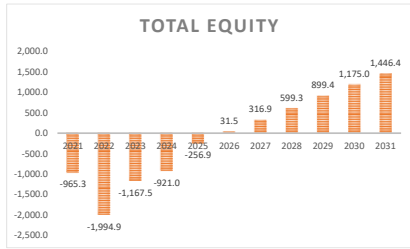


Figure 31 – Total Equity, 2021-2031
Source: Analyst Computation

percentage of operating right-of-use assets and increasing with inflation rate. Overall, our model predicts difficulties for AMC to reduce substantially its financial indebtedness over the years with a decrease from \$10.5 billion in 2023 to around \$7.8 billion in 2031. Book value equity stands around -\$2.0 billion as of 2022 and is predicted to fully rebound only in 2026, achieving a value of nearly \$1.5 billion in 2031 (Figure 31).

Valuation

The Adjusted Present Value (APV) valuation model was used, which allows for a changing debt structure approach. The discount rate required in our valuation model is the cost of unlevered equity, which must be applied to the unlevered free cash flows estimated in our cash flow map, based on our forecasting assumptions.

Discount Rate

Other important inputs for our valuation model are required to calculate the unlevered cost of equity, beginning with the cost of debt, which was derived from the difference between the 10-year yield of the credit rating attributed to AMC (CCC+) and the result of the multiplication of the annualized probability of default and the loss given default, reaching 13,03 %, a relatively high rate but in line with AMC's current financial position. Using 7 years of monthly returns historical data, the equity beta was calculated by comparing past stock returns to the Russell 3000 index returns. With a raw beta of 1,99 and a market risk premium of 11,35 %, we arrive at a 24,18 % cost of equity using the Capital Asset Pricing Model and assuming a risk-free rate of 1.59 % drawn from a ten-year US Treasury bond. With the AMC capital structure in mind and both cost of debt and cost of equity, an unlevered cost of capital of 19,42 % could be calculated.

Unlevered Free Cash Flows

Because of the significant impact of the Covid-19 epidemic on AMC, free cash flows are likely to be negative until the end of 2022. From 2023 onwards, a rebound in cash flows was forecasted, turning the tide to a positive trend and stabilizing, generating an average of \$415 million per year until the conclusion of the forecasted period. According to our forecasting and valuation model, the unlevered free cash flows expected from 2022 to 2031 showed a positive trend, rising from 158 million in 2023 to 553 million in 2031 (Figure 32). The figure for 2031 is closer to the value of 566 million in 2018, allowing us to conclude, based on our research and assumptions, that AMC will take some time to return to previous year's values financially.

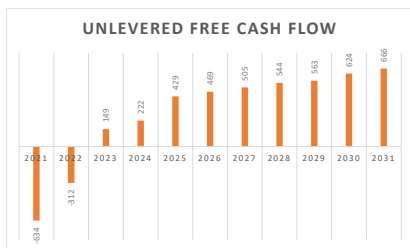


Figure 32 Unlevered Free Cash Flows, 2021-2031
Source: Analyst Computation

Growth rate, ROIC and Reinvestment Rate

The perpetual growth rate was calculated by multiplying the reinvestment rate (RR) by the return on invested capital (ROIC), with the most stable period assumed to be between 2025 and 2028, with an average ROIC of 8.8%, implying that if AMC cannot lower its cost of capital by this time, it will not be creating value because the cost of capital will be higher than the return on invested capital (Figure 33). On the other hand, this period will still be part of AMC's recovery period, during which the company is expected to change a negative ROIC into a positive one in a slightly increasing trend, according to forecasts. Assuming the same period of the stabilized ROIC, we averaged the reinvestment rate, reaching a value of 6,11%, which is considerably low in the M&E industry. When computing the final perpetual growth rate for the base scenario we have reached the value of 0,54%.

After computing both investment rate and return on invested capital, we have decided to do a sensitivity analysis to better capture the impact it would have on the perpetual growth rate. We have assembled a table (Table 6) to display this sensitivity analysis where we vary both the RR and ROIC 0.5% positively and negatively three times, reaching a worst-case scenario of 0,33% and a best-case scenario of 0,78% for the perpetual growth rate.

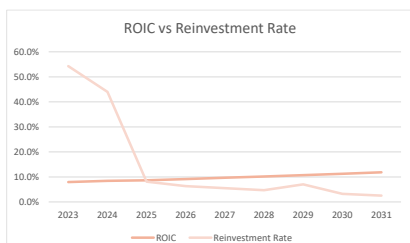


Figure 33 – ROIC and Reinvestment Rate, 2021-2031
Source: Analyst Computation

	ROIC									
Reinvestment Rate	4.66%	5.16%	5.66%	6.16%	6.66%	7.16%	7.66%	8.16%	8.66%	9.16%
7.92%	0.37%	0.41%	0.45%	0.49%	0.53%	0.57%	0.61%	0.65%	0.69%	0.73%
8.42%	0.39%	0.43%	0.47%	0.51%	0.55%	0.59%	0.63%	0.67%	0.71%	0.75%
8.92%	0.42%	0.46%	0.50%	0.54%	0.58%	0.62%	0.66%	0.70%	0.74%	0.78%
9.42%	0.44%	0.48%	0.52%	0.56%	0.60%	0.64%	0.68%	0.72%	0.76%	0.80%
9.92%	0.46%	0.50%	0.54%	0.58%	0.62%	0.66%	0.70%	0.74%	0.78%	0.82%
10.42%	0.49%	0.53%	0.57%	0.61%	0.65%	0.69%	0.73%	0.77%	0.81%	0.85%
10.92%	0.51%	0.55%	0.59%	0.63%	0.67%	0.71%	0.75%	0.79%	0.83%	0.87%

Table 6 – Sensitivity Analysis on Growth Rate
Source: Analyst Computation

Scenario analysis

The covid-19 pandemic has proven to be an extremely strong external factor affecting the economic environment and AMC faced an exposure to certain events that disrupted its normal activity and consequently impacted the forecasts on future performance, therefore, it is certainly useful to perform scenario analysis. For AMC we modelled a different approach to this tool: instead of focusing mostly on revenue drivers by varying margins and growth rates for each scenario, we incorporated the unique situation AMC finds itself in, "swimming in a pool of cash", since we consider this event as one that might also bring more uncertainty to our valuation as well as a reliable and tangible source of volatility to our forecasts.

At the end of the first semester of 2021, AMC had, roughly, \$1,800 million in cash and cash equivalents, a figure that is higher than their average equity book value from 2017 to 2019. Thus, it is wise to control for what the company might do in the short term with this amount of cash.

AMC expects to enhance their ability of managing and preserving cash and contradict the cash-burning tendency until now. To achieve this, the CEO, Adam Aron, plans to lock several acquisitions, reduce some debt, and pay down unpaid rent that was postponed to 2021. So, we wanted to quantify how these measures would impact AMC's valuation. The reports from the third quarter of the current year

already revealed some of these measures taking place such as debt reduction, deferred rent payments and a consequent decrease in cash. Following this, we consider 4 major and non-exclusive measures that the company might take and assign a value to them, in line with the CEO’s latest announcements and industry trends. The main actions can be consulted in Table 7, below.

Main Measures	
Strategic Acquisitions	Buy theatres and rent some theatres that were being leased by competitors and are not currently operating.
Debt Reduction	Urgent to reduce the interest expenses.
Long-Term Investments	Investments in VR, AMC’s streaming platform and popcorn business.
Cash Reserves	Hold cash as excess cash

Table 7 – Sensitivity Analysis on Growth Rate
Source: Analyst Computation

Measures	Base Scenario	Grey Sky Scenario	Blue Sky Scenario
Property Acquisitions	50%	10%	35%
Debt Reduction	-	35%	20%
Investments (VR and Streaming)	50%	15%	25%
Excess Cash	-	10%	20%

It is assumed that these measures have major impacts in the corresponding captions of the balance sheet, such as Property, Operating Leases, Corporate Borrowings, and Excess Cash. Three scenarios were built according to the amount of excess cash allocated to each measure: Base Scenario, Grey Sky Scenario and Blue Sky Scenario (Table 8).

Additionally, we also incorporate uncertainty coming from the industry and the global economy by varying the attendance per theatre that AMC might observe in the future. The attendance levels will vary accordingly with the pandemic evolution and the capacity of AMC to rebound its pre-pandemic attendance levels per theatre. Therefore, three different values for this driver were assumed, one for each scenario (Table 9).

The Base Scenario is the base valuation already discussed above which goes in line with our strongest and most believed forecasts.

The Blue Sky scenario assumes an optimistic view about the attendance per theatre, in this case, it will recover faster reaching nearly 400,000 guests in the US and 289,000 internationally, corresponding to one of the best years so far. Investments wise, AMC will invest 60% of the cash in hands, about \$830 million, on property and long-term investments (VR and popcorn business) and 20% will be used for debt reduction. This optimistic view returns a price close to \$2.93.

The Grey Sky Scenario is more conservative with the focus being reducing debt and reserve cash for strategic uses in the long-term. Attendance per theatre is assumed to be more sluggish to rebound and reach 308,000 attendees domestically and 271,000 in international markets, values considerably far from pre-pandemic levels. In terms of investments, the company will just allocate 25% of excess cash, approximately, \$350 million. Debt will be the focus with an allocation of 35%. This

	Attendance per Theatre	
	U.S.	International
Base Scenario	388.8	285.9
Grey Sky Scenario	308.0	271.6
Blue Sky Scenario	399.5	289.4

Table 9 – Attendance per Theatre per Scenario
Source: Analyst Computation

scenario represents in a certain way the threshold that AMC cannot pass as the price for this scenario stands at \$0.03, meaning the AMC is worth barely anything. In conclusion, our approach focuses on whether AMC takes the advantage to change and adapt to the new trends within the industry by using its resources in an effective way or if the company continues with its historical tendency of bad cash management and misses the opportunity to innovate and remain as the big screen world leader. Either way, we believe that the probability of a scenario more optimistic is low.

Sensitivity Analysis

We have performed a sensitivity analysis to better understand how would change our target price by varying 0.5% each way (positive and negative) the discounted rate used, which in this case was the unlevered cost of equity, and by varying 0.2% each way (positive and negative) the growth rate used for the perpetuity. We've put together a table (Table 10) to help visualize both inputs and determine how sensitive the price is. In this analysis, the best-case scenario for the share price was \$1.97, with a negative change of 1% in the unlevered cost of equity and a negative change of 0.4% in the growth rate. The opposite scenario results in a \$1.29 share price.

	r _u					
	2.2645	18.42%	18.92%	19.42%	19.92%	20.42%
Growth	0.14%	2.40573	2.31821	2.15056	1.99303	1.84192
0.34%	2.47828	2.29894	2.12967	1.96967	1.81823	
0.54%	2.46006	2.27886	2.10791	1.94640	1.79359	
0.74%	2.44104	2.25792	2.08524	1.92218	1.76797	
0.94%	2.42115	2.23606	2.06161	1.89694	1.74130	

Table 10 – Sensitivity Analysis on share price
Source: Analyst Computation

Relative Valuation

The relative valuation for AMC was performed through a comparison to its closest peers, naturally inserted in the same segment as the company and with comparable sizes and business models. These companies include Cineworld, Cinemark and Cineplex. Due to the current circumstances of the industry, the analysis did not seem fair using historical or LTM figures and therefore, it was used the forward-looking multiples retrieved from Bloomberg for 2022. Although these values might already be somehow corrected for the pandemic effects, this valuation still faces the bias from AMC record valuation, consequently resulting in higher multiples, far from peers' values.

The multiples used were the EV/EBITDA, EV/Sales and P/Sales, with P/E and EV/EBIT being discarded due to negative values recorded by the company for earnings and EBIT in 2022. The gap between AMC's multiples and its peers is considerably significant since the company holds an EV/EBITDA multiple 4 times higher than the rest of the industry which is totally explained by the stock climb in June. Therefore, when using the median in a tentative of removing outliers, we end up by removing the reality of AMC. Nevertheless, we end up with a price of \$5.37 with the P/Sales multiple which is different from our base valuation of \$2.10 through the APV model. Overall, our price range for the P/Sales multiple is from \$2.11 to \$30.32. In this case it is more suitable to look for the first quartile which represents

the industries reality and where AMC will tend to. In this analysis, AMC is the outlier due to the current synthetic price that it holds and, interestingly, the range represents exactly the current and the true price of the company.

Stock Price and Final Recommendation

Based on our APV forecasting model AMC holds a market capitalization of \$1,162 million. Considering the shares outstanding of 513 million, it leads to a share price of \$2.26. As of the 16th of December 2021, AMC's stock price stood at \$24.45, indicating that it trades on a huge premium close to 10x the fair value. Thus, the final recommendation to the investor is to SELL.

Risk Factors

The trustworthiness of our valuation is dependent on a number of risk variables that could modify some external conditions relating to AMC's environment, causing some of our key assumptions to fail, resulting in an unreliable valuation. After then, the Covid 19 outbreak and streaming alternatives as new forms of competition are the two key risk factors we have opted to explore.

Covid 19 pandemic

The Covid 19 is without a doubt a risk that AMC and the entire Movie Theatre Segment are concerned about, as another outbreak might entail in the closure of public venues. As a result, the uncertainty caused by the virus is linked to movie's attendance, which is our primary value driver. As box office sales are AMC's main source of revenue, another outbreak would put the company in a vulnerable financial position. Furthermore, our model forecasts the other two revenue streams as a percentage of the box office revenues since people do not go to a theatre to buy popcorns and sodas and not buy a movie ticket.

This pandemic also means that other threats to this segment have increased, such as the negotiation of movie release windows, which appears to be shrinking with time as film distributors lose bargaining power and streaming companies gain, which will negatively impact companies with similar characteristics to AMC.

Intense competition

Various organizations compete in the movie entertainment industry across various scopes, geographies, and circuits; for example, a smaller independent film exhibitor can compete with AMC theaters on a regional scale. However, the rivalry isn't only about attracting people; it's also about licensing films, securing the greatest partnerships, and fighting for the finest advertising, among other aspects. All of this

was already a difficult environment in which to compete, but AMC will also have to contend with the ongoing growth of online content platforms.

In this competitive context, the well-known phenomenon of streaming platforms must be considered, as they provide substitute services and goods to those provided by traditional content distributors of entertainment in the movie theater segment. Finally, the most important risk element for our value is how consumer preferences will change in the future, which will be determined by what strategies AMC pursues in the future and how the competition landscape evolves. Our belief is that the need to go to the movies will not go away, even though all of these options will make it less frequent but more demanding in terms of entertainment experience.

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Appendix

Financial Statements

Forecasted Income Statement															
(In millions, except operating data)	Year Ended December 31,														
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
CORE BUSINESS															
Admissions Revenues															
U.S Markets	2,330.9	2,441.5	2,388.2	455.5	1,301.7	2,108.9	2,916.3	3,066.1	3,130.8	3,196.8	3,264.0	3,332.5	3,402.4	3,473.6	3,546.2
Attendance	241.0	255.7	250.4	46.5	116.6	183.2	249.6	258.6	260.1	261.7	263.2	264.8	266.3	267.9	269.4
attendance growth	-	6.1%	-2.1%	-81.4%	151.0%	57.2%	36.2%	3.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Average Ticket Price	9.7	9.5	9.5	9.8	11.2	11.5	11.7	11.9	12.0	12.2	12.4	12.6	12.8	13.0	13.2
average ticket price growth	-	-1.3%	-0.1%	2.8%	13.9%	3.1%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
International Markets	898.6	943.5	913.1	256.6	335.1	826.2	995.7	1,027.6	1,040.6	1,053.8	1,067.2	1,083.6	1,100.2	1,117.0	1,134.0
Attendance	105.8	103.2	106.1	28.7	36.3	87.9	104.9	107.2	107.5	107.8	108.1	108.6	109.2	109.8	110.4
attendance growth	-	-2.5%	2.8%	-72.9%	26.2%	142.5%	19.3%	2.2%	0.3%	0.3%	0.3%	0.5%	0.5%	0.5%	0.5%
Average Ticket Price	8.5	9.1	8.6	8.9	9.2	9.4	9.5	9.6	9.7	9.8	9.9	10.0	10.1	10.2	10.3
average ticket price growth	-	7.7%	-5.9%	3.7%	3.5%	1.7%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Admissions Revenues	3,229.5	3,385.0	3,301.3	712.1	1,636.9	2,935.1	3,912.0	4,093.7	4,171.4	4,250.6	4,331.2	4,416.1	4,502.6	4,590.6	4,680.2
growth rate	-	4.8%	-2.5%	-78.4%	129.9%	79.3%	33.3%	4.6%	1.9%	1.9%	2.0%	2.0%	2.0%	2.0%	2.0%
Food and Beverage Revenues	1,548.4	1,671.5	1,719.6	362.4	931.4	1,528.9	2,057.3	2,173.3	2,235.4	2,299.1	2,364.3	2,432.8	2,502.9	2,574.8	2,648.5
growth rate	-	8.0%	2.9%	-78.9%	157.0%	64.1%	34.6%	5.6%	2.9%	2.8%	2.8%	2.9%	2.9%	2.9%	2.9%
Other Theatre Revenues	301.3	404.3	450.1	167.9	257.4	461.6	615.3	643.8	656.1	668.5	681.2	694.6	708.1	722.0	736.1
growth rate	-	34.2%	11.3%	-62.7%	53.3%	79.3%	33.3%	4.6%	1.9%	1.9%	1.9%	2.0%	2.0%	2.0%	2.0%
Total Revenues	5,079.2	5,460.8	5,471.0	1,242.4	2,825.8	4,925.6	6,584.6	6,910.8	7,062.9	7,218.2	7,376.8	7,543.4	7,713.6	7,887.4	8,064.8
revenue growth	-	7.5%	0.2%	-77.3%	127.4%	74.3%	33.7%	5.0%	2.2%	2.2%	2.2%	2.3%	2.3%	2.3%	2.2%
Film exhibition costs	1,604.3	1,710.2	1,699.1	322.7	806.1	1,510.6	2,013.4	2,106.9	2,146.9	2,187.7	2,229.2	2,272.9	2,317.4	2,362.7	2,408.8
% of admissions revenues	49.7%	50.5%	51.5%	45.3%	49.2%	51.5%	51.5%	51.5%	51.5%	51.5%	51.5%	51.5%	51.5%	51.5%	51.5%
Food and beverage costs	252.1	270.9	278.7	88.8	170.5	248.2	333.9	352.8	362.9	373.2	383.8	394.9	406.3	417.9	429.9
% of food and beverage revenues	16.3%	16.2%	16.2%	24.5%	18.3%	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%
Operating expenses	1,548.0	1,654.7	1,686.6	856.0	1,133.9	1,504.1	2,010.6	2,110.3	2,156.7	2,204.1	2,252.5	2,303.4	2,355.4	2,408.5	2,462.6
% of total revenues	30.5%	30.3%	30.8%	68.9%	40.1%	30.5%	30.5%	30.5%	30.5%	30.5%	30.5%	30.5%	30.5%	30.5%	30.5%
Rent	794.4	797.8	967.8	884.1	861.3	861.3	861.3	861.3	861.3	861.3	861.3	861.3	861.3	861.3	861.3
% of operating lease right-of-use assets	-	-	20.2%	19.9%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Other general and administrative expenses	133.2	179.3	153.0	156.7	150.6	142.9	191.0	200.5	204.9	209.4	214.0	218.8	223.8	228.8	233.9
% total revenues	2.6%	3.3%	2.8%	12.6%	5.3%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
Depreciation and amortization	538.6	537.8	450.0	498.3	377.3	414.2	470.2	510.2	518.4	526.8	535.3	544.0	552.9	561.9	571.0
% of property and intangible assets	15.4%	15.9%	15.8%	20.0%	16.8%	15.7%	15.7%	15.7%	15.7%	15.7%	15.7%	15.7%	15.7%	15.7%	15.7%
Impairment of long-lived assets, definite and indefinite-lived intangible assets	43.6	13.8	84.3	207.5	72.9	40.6	46.1	50.0	50.8	51.7	52.5	53.4	54.2	55.1	56.0
% of property and intangible assets	1.2%	0.4%	3.0%	8.3%	3.2%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Core Result Before Taxes	165.0	296.3	151.5	-1,771.7	-746.7	203.8	658.0	718.9	761.0	804.1	848.2	894.8	942.5	991.3	1,041.2
Taxes	-57.8	-62.2	-31.8	372.1	156.8	-42.8	-138.2	-151.0	-159.8	-168.9	-178.1	-187.9	-197.9	-208.2	-218.7
Tax rate	35%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%
Tax Adjustments	-184.6	27.8	-30.7	-539.9	-62.5	-62.5	-62.5	-62.5	-62.5	-62.5	-62.5	-62.5	-62.5	-62.5	-62.5
Core Result	-77.4	261.9	89.0	-1,939.5	-652.4	98.5	457.3	505.4	538.7	572.7	607.6	644.4	682.1	720.6	760.1
Core Result Growth	-	238.6%	-66.0%	-2279.6%	133.6%	84.9%	-364.3%	10.5%	6.6%	6.3%	6.1%	6.1%	5.8%	5.7%	5.5%
NON-CORE BUSINESS															
Merger, acquisition and transactions costs	63.0	31.3	15.5	24.6	33.6	34.3	35.0	35.7	36.4	37.1	37.8	38.6	39.4	40.2	41.0
Impairment of goodwill	0.0	0.0	0.0	2,306.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other expenses (income)	-3.2	-109.2	-3.3	83.2	-8.1	-8.3	-8.5	-8.6	-8.8	-9.0	-9.2	-9.3	-9.5	-9.7	-9.9
Equity in (earnings) losses of non-consolidated entities	185.2	-86.7	-30.6	30.9	24.7	25.2	25.7	26.2	26.7	27.3	27.8	28.4	28.9	29.5	30.1
Non-Core Result Before Taxes	-245.0	164.6	18.4	-2,445.1	-50.2	-51.2	-52.2	-53.2	-54.3	-55.4	-56.5	-57.6	-58.8	-60.0	-61.2
Taxes	85.8	-34.6	-3.9	513.5	10.5	10.7	11.0	11.2	11.4	11.6	11.9	12.1	12.3	12.6	12.8
Tax rate	35%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%
Tax Adjustments	-86.1	-15.4	17.2	-471.2	-28.1	-28.7	-29.2	-29.8	-30.4	-31.0	-31.6	-32.3	-32.9	-33.6	-34.3
Other Comprehensive Income (Loss)	128.1	-124.5	-31.6	64.8	9.2	9.4	9.6	9.8	10.0	10.2	10.4	10.6	10.8	11.0	11.2
Non-Core Result	-117.3	-9.9	0.1	-2,338.0	-58.5	-59.7	-60.9	-62.1	-63.4	-64.6	-65.9	-67.2	-68.6	-70.0	-71.4
FINANCIAL BUSINESS															
Interest expense in corporate borrowings	231.6	262.3	292.8	311.0	360.8	343.9	342.6	305.8	304.2	265.0	249.2	233.4	217.6	201.7	185.9
% corporate borrowings	-	-6.2%	-6.2%	-6.6%	-6.3%	-6.3%	-6.3%	-6.3%	-6.3%	-6.3%	-6.3%	-6.3%	-6.3%	-6.3%	-6.3%
Interest expense in capital and financing lease obligations	42.4	38.5	7.6	5.9	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
% capital and financing lease obligations	-7.3%	-7.8%	-8.5%	-7.1%	-7.7%	-7.7%	-7.7%	-7.7%	-7.7%	-7.7%	-7.7%	-7.7%	-7.7%	-7.7%	-7.7%
Interest expense in non-cash NCM exhibitor services agreement	0.0	41.5	40.4	40.0	38.5	37.1	35.5	33.9	32.1	29.4	26.7	24.0	21.4	18.7	16.0
% exhibitor services agreement	-	7.8%	7.2%	7.3%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%
Other financial expenses (income)	1.7	1.1	16.7	-54.3	-8.7	-8.9	-9.1	-9.2	-9.4	-9.6	-9.8	-10.0	-10.2	-10.4	-10.6
Investment expense (income)	-22.6	-6.2	-16.0	10.1	-8.7	-8.8	-9.0	-9.2	-9.4	-9.6	-9.8	-10.0	-10.2	-10.4	-10.6
Financial Result Before Taxes	-253.1	-337.2	-341.5	-312.7	-388.4	-369.6	-366.4	-327.6	-323.8	-281.6	-262.8	-243.9	-225.0	-206.1	-187.2
Taxes	88.6	70.8	71.7	65.7	81.6	77.6	77.0	68.8	68.0	59.1	55.2	51.2	47.2	43.3	39.3
Tax rate	35%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%
Comprehensive loss attributable to noncontrolling interests	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Financial Result	-164.5	-266.4	-269.8	-246.9	-306.9	-292.1	-289.6	-258.9	-256.0	-222.6	-207.7	-192.8	-177.8	-162.9	-148.0
Comprehensive Income	-359.1	-14.4	-180.7	-4,524.5	-1,017.9	-253.3	106.8	184.4	219.4	285.5	334.0	384.4	435.6	487.8	540.8

Forecasted Balance Sheet															
(In millions, except operating data)	Year Ended December 31,														
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
CORE BUSINESS															
Property, net	3,116.5	3,039.6	2,649.2	2,322.5	2,032.0	2,261.9	2,491.9	2,721.8	2,762.6	2,804.1	2,846.1	2,888.8	2,932.2	2,976.1	3,020.8
<i>historical growth</i>	-	-2.5%	-12.8%	-12.3%	1.0%	11.3%	10.2%	9.2%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Operating lease right-of-use assets, net	0.0	0.0	4,796.0	4,451.5	4,302.0	4,302.0	4,302.0	4,302.0	4,302.0	4,302.0	4,302.0	4,302.0	4,302.0	4,302.0	4,302.0
<i>annual growth rate</i>	-	0.0%	0.0%	-7.2%	-3.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Intangible assets, net	380.5	352.1	195.3	163.2	216.5	377.4	504.5	529.4	541.1	553.0	565.1	577.9	591.0	604.3	617.9
<i>% of revenues</i>	7.5%	6.4%	3.6%	13.1%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%
Working cash (2% of revenues)	109.9	119.9	119.9	37.9	56.5	98.5	131.7	138.2	141.3	144.4	147.5	150.9	154.3	157.7	161.3
<i>constant % of revenues</i>	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Receivables, net	271.5	259.5	254.2	91.0	162.6	283.4	363.3	381.3	406.4	415.3	424.4	434.0	464.9	475.4	486.1
<i>average collection period</i>	20	17	17	27	21	21	20	20	21	21	21	21	22	22	22
Other current assets	168.6	162.6	105.9	53.3	88.5	154.2	206.1	216.4	221.1	226.0	230.9	236.2	241.5	246.9	252.5
<i>% of revenues</i>	3.3%	3.0%	1.9%	4.3%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Merchandise inventory	34.0	35.2	37.5	21.3	26.1	32.3	43.1	45.1	46.0	47.0	47.9	48.9	50.0	51.0	52.1
<i>average holding period</i>	7	6	7	19	10	7	7	7	7	7	7	7	7	7	7
Total Core Assets	4,081.0	3,968.9	8,158.0	7,140.7	6,884.1	7,509.7	8,042.5	8,334.2	8,420.5	8,491.7	8,564.1	8,638.7	8,735.8	8,813.5	8,892.6
Accounts payable	569.6	452.6	543.3	298.8	375.0	474.9	633.8	664.1	677.6	691.4	705.5	720.3	735.4	750.8	766.4
<i>average payable period</i>	112	83	100	265	140	99	99	99	99	99	99	99	99	99	99
Accrued expenses and other liabilities	351.1	378.5	324.6	257.8	186.3	324.7	434.1	455.6	465.6	475.8	486.3	497.3	508.5	520.0	531.7
<i>% of revenues</i>	6.9%	6.9%	5.9%	20.8%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%
Deferred revenues and income	401.0	414.8	449.2	405.4	437.4	472.0	509.3	549.5	592.9	639.8	690.3	744.9	803.7	867.2	935.7
<i>% of revenues</i>	7.9%	7.6%	8.2%	32.6%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%
Exhibitor services agreement	530.9	564.0	549.7	537.6	519.5	500.0	479.0	456.4	432.1	396.1	360.1	324.1	288.1	252.1	216.1
<i>annual amount of ESA recognized as revenues</i>	-	-33.1	14.3	12.1	38.1	19.5	21.0	22.6	24.3	36.0	36.0	36.0	36.0	36.0	36.0
Total Core Liabilities	1,852.6	1,809.9	1,866.8	1,499.6	1,518.2	1,771.6	2,056.1	2,125.6	2,168.3	2,203.1	2,242.2	2,286.5	2,335.6	2,390.0	2,449.8
Total Core Invested Capital	2,228.4	2,159.0	6,291.2	5,641.1	5,365.9	5,738.1	5,986.4	6,208.6	6,252.3	6,288.6	6,321.9	6,352.2	6,400.1	6,423.5	6,442.8
NON-CORE BUSINESS															
Investments	412.1	279.5	275.5	117.7	251.0	229.9	229.9	229.9	233.4	236.9	240.4	244.0	247.7	251.4	255.2
Goodwill	4,931.7	4,788.7	4,789.1	2,547.3	2,547.3	2,547.3	2,547.3	2,547.3	2,547.3	2,547.3	2,547.3	2,547.3	2,547.3	2,547.3	2,547.3
Deferred tax asset, net	28.9	28.6	70.1	0.3	42.5	43.4	44.3	45.1	46.0	47.0	47.9	48.9	49.8	50.8	51.8
Other long-term assets	63.8	226.0	227.5	186.9	190.6	194.5	198.3	202.3	206.4	210.5	214.7	219.0	223.4	227.8	232.4
Assets held for sale	80.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Non-Core Assets	5,516.5	5,322.8	5,362.2	2,852.2	3,031.5	3,015.1	3,019.8	3,024.7	3,033.1	3,041.6	3,050.3	3,059.2	3,068.2	3,077.4	3,086.7
Deferred tax liability, net	49.6	41.6	46.0	40.5	44.4	45.3	46.2	47.1	48.1	49.0	50.0	51.0	52.1	53.1	54.2
Other long-term liabilities	903.8	963.1	195.9	241.3	218.6	223.0	227.4	232.0	236.6	241.4	246.2	251.1	256.1	261.2	266.5
Total Non-Core Liabilities	953.4	1,004.7	241.9	281.8	263.0	268.3	273.7	279.1	284.7	290.4	296.2	302.1	308.2	314.3	320.6
Total Non-Core Invested Capital	4,563.1	4,318.1	5,120.3	2,570.4	2,768.4	2,746.8	2,746.2	2,745.6	2,748.4	2,751.2	2,754.1	2,757.1	2,760.0	2,763.0	2,766.1
FINANCIAL BUSINESS															
Excess cash	208.4	204.1	155.6	283.5	1,612.5	212.9	212.9	212.9	212.9	212.9	212.9	212.9	212.9	212.9	212.9
<i>% of total invested capital</i>	3.1%	3.2%	1.4%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Corporate borrowings	-4,220.1	-4,707.8	-4,733.4	-5,695.8	-5,427.8	-5,407.8	-4,827.5	-4,802.1	-4,183.8	-3,934.0	-3,684.2	-3,434.4	-3,184.6	-2,934.8	-2,685.0
<i>% of revenues</i>	-62.1%	-72.7%	-41.5%	-69.4%	-66.7%	-63.7%	-55.3%	-53.6%	-46.5%	-43.5%	-40.6%	-37.7%	-34.8%	-31.9%	-29.2%
Current maturities of corporate borrowings and capital and financing lease obligation	-87.7	-82.2	-30.3	-32.9	-32.9	-32.9	-32.9	-32.9	-32.9	-32.9	-32.9	-32.9	-32.9	-32.9	-32.9
Current maturities of operating lease liabilities	-	-	-585.8	-583.6	-541.4	-541.4	-541.4	-541.4	-541.4	-541.4	-541.4	-541.4	-541.4	-541.4	-541.4
Capital and financing lease obligations	-578.9	-493.2	-89.6	-83.1	-83.1	-83.1	-83.1	-83.1	-83.1	-83.1	-83.1	-83.1	-83.1	-83.1	-83.1
Operating lease liabilities	-	-	-4,913.8	-4,957.8	-4,599.5	-4,599.5	-4,599.5	-4,599.5	-4,599.5	-4,599.5	-4,599.5	-4,599.5	-4,599.5	-4,599.5	-4,599.5
Noncontrolling interests	-	-	-	-26.9	-27.4	-28.0	-28.5	-29.1	-29.7	-30.3	-30.9	-31.5	-32.1	-32.8	-33.4
Net Financial Assets	-4,678.3	-5,079.1	-10,197.3	-11,096.6	-9,099.6	-10,479.8	-9,900.1	-9,875.2	-9,257.5	-9,008.3	-8,759.1	-8,509.9	-8,260.8	-8,011.6	-7,762.5
EQUITY	2,113.2	1,398.0	1,214.2	-2,885.1	-965.3	-1,994.9	-1,167.5	-921.0	-256.9	31.5	316.9	599.3	899.4	1,175.0	1,446.4

Disclosures and Disclaimers

Report Recommendations

Buy	Expected total return (including expected capital gains and expected dividend yield) of more than 10% over a 12-month period.
Hold	Expected total return (including expected capital gains and expected dividend yield) between 0% and 10% over a 12-month period.
Sell	Expected negative total return (including expected capital gains and expected dividend yield) over a 12-month period.

This report was prepared by [*insert student's name*], a Master in Finance student of Nova School of Business and Economics ("Nova SBE"), within the context of the Field Lab – Equity Research.

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