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Exhibitor Valuations

On the home page of the Dodona Research website there is a link to a modest spreadsheet, updated once a year, containing a valuation tool for exhibition stocks.

Showing the number of shares in issue at the last year end, a share price which can be updated by users, and net debt on the balance sheet, it calculates the enterprise value of any of the stocks shown for any given share price. As it also includes EBITDA for the most recent years, the EV/EBITDA multiple is shown too.

Earnings and dividend per share also feature on the sheet, together with automatically calculated earnings multiples and dividend yields.

The latest sheet can be found at http://dodona.co.uk/exhibition_stocks.html

Current valuations are as follows.

Exhibition Stock Valuations (EV/EBITDA)

	April 15 2015
Kinepolis Group	15.44
Cineplex	14.48
AMC Entertainment Holdings	12.59
Carmike Cinemas	11.86
Cineworld Group	11.85
Cinemark Holdings	11.02
Regal Entertainment Group	9.57

In the case of the Belgian company, Kinepolis, it should be said that the company owns the properties from which it operates. This makes the multiple higher than it would be if it leased its cinemas as most groups do. But this aside, to state the obvious it is clear that valuations are unusually generous at present.

The historical data below illustrates how multiples have expanded since 2012. The table is restricted to companies who have been included in the analysis for all of the last four years but less comprehensive data relating to others tells the same story.

EV/EBITDA Multiples 2012-2015

	2012	2013	2014	2015
Carmike	6.77	8.36	8.84	11.86
Cinemark	8.01	9.04	7.95	11.02
Regal	7.68	8.05	7.92	9.57
Cineplex	11.48	13.46	14.02	14.48
Kinepolis	7.67	10.15	11.76	15.44

Note: April year each year except 2012 July

If you take the view that sooner or later interest rates are going to rise from their current close to zero (or below it in some countries), these valuations look too high – as, indeed, do the valuations of pretty well every financial asset today.

Arguably this is all the more so as most of these companies are becoming more indebted, often because they are taking on more debt to pay higher dividends.

How much longer this can run is anyone's guess. What can be said is that the unconventional monetary policies pursued with the aim of supporting the real economy have progressively distracted attention from it, with a great deal of action in financial engineering instead. The result, in other words, is uncannily like any of the other credit-fuelled booms which have punctuated economic history. Wasn't one of these the problem in the first place?

Further information:

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