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Media

Shaken or Stirred – What's the Future of the Movie Business?

The film business has permanently changed: 1) we see a robust but smaller theatrical business, 2) incumbent studios will increase film output but skew distribution to streaming, and 3) eventually, Netflix, Amazon, and Apple will join Disney, Warner Bros., and Universal as Hollywood majors.

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Shaken or Stirred – What's the Future of the Movie Business?

The movie business is dead, long live the movie business: Since the onset of the pandemic, we have seen film production and theaters shutter and restart. This has coincided with an accelerating strategic pivot towards streaming by major media companies (Exhibit 30). Most recently, as vaccinations have ramped so have box office results (see Exhibit 1). This report assesses and analyzes both the pandemic-related and secular changes to the film business. Our conclusions are: 1) The pandemic accelerated the strategic shift to streaming, which counter-intuitively has increased the value of film studio assets, and 2) Exclusive theatrical windows will stick for tent-pole films, leaving a substantial global box office industry for years to come - albeit likely smaller than pre-pandemic levels. **We reiterate our OW ratings on DIS and NFLX given unmatched content+distribution scale, see rising strategic optionality at EW LGFb, and see the pro-forma Discovery's Warner Bros. studio as an underappreciated asset inside EW DISCK. Finally, we raise our PT on EW CNK and see upside to consensus in '22.**

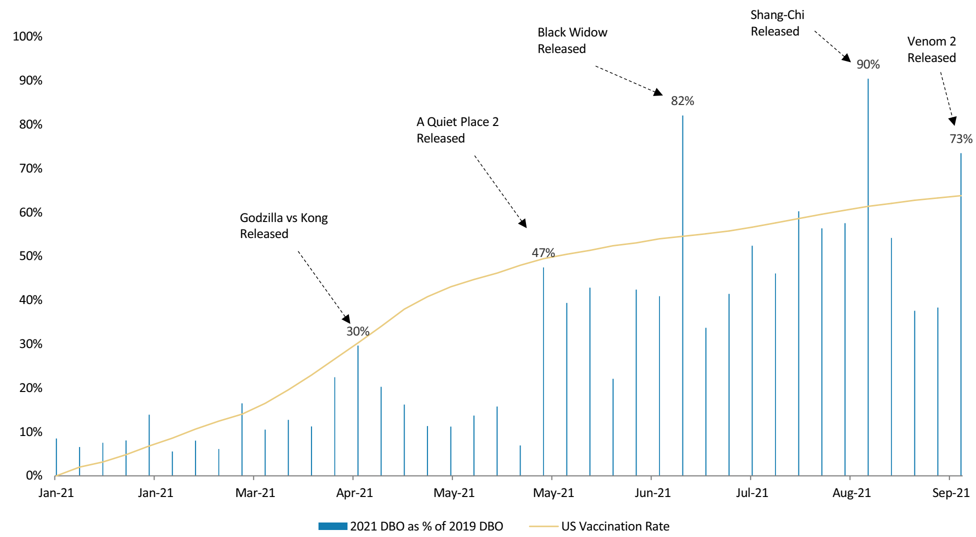
What have the past 19 months taught us about consumer demand and studio distribution strategies going forward? First, as vaccination rates have increased, moviegoers have returned, although early window streaming does appear to cannibalize the box office. Second, studios continue to look to an exclusive theatrical window to "eventize" tent-pole films and sustain film profitability. Finally, **studios are falling into two categories: those selling to everybody (Sony, Lionsgate, independents) – or "arms dealers" as Sony recently described themselves – and those selling in-house (Disney, Warner Bros., Paramount, Netflix, Amazon, and Apple).** The sum impact of these changes suggest more movies will be released, but a greater percentage will be direct-to-streaming, while the window between box office and streaming will continue to compress.

While it has become more challenging to determine the magnitude of film studio earnings power, we believe the value of film libraries, production capabilities, and creative talent is on the rise: Movies are far from dead, but the traditional film release model ultimately may be dying. Historically, films were valued on a 10-year P/L or "ultimate." That accounting/economic model is collapsing along with the collapse of release windows and the rise of S-VOD services. This does not, however, impair the value of film studios – in fact, we believe values are increasing. This is evidenced by 1) the rising role of film content in driving leading streaming platforms, led by Netflix, 2) high levels of inflation in pay-1 and library film licensing revenues, and 3) private market activity as headlined by **Amazon's proposed acquisition of MGM**.

As we update our US box office outlook, we remain EW CNK with a $24 price target: We continue to see CNK shares as one of the last reopening opportunities as neither consensus estimates or current trading multiples reflect a return to pre-pandemic levels (see Exhibit 55 - Exhibit 56). We lower our expectations for 3Q21 as the box office underperformed and 4Q as many films have shifted into '22. We also lower our '22 attendance expectations for the industry and CNK, but raise expected ticket pricing given the inflationary backdrop and strong consumer spending generally. This leads us to modestly raise our long-term CNK estimates and, with greater visibility, keep our '22 forecast 14-15% above consensus. We therefore raise our PT to $24 or ~7.5x EV/fwd. EBITDA, with ~100% upside in the bull case vs. ~45% downside in the bear case.

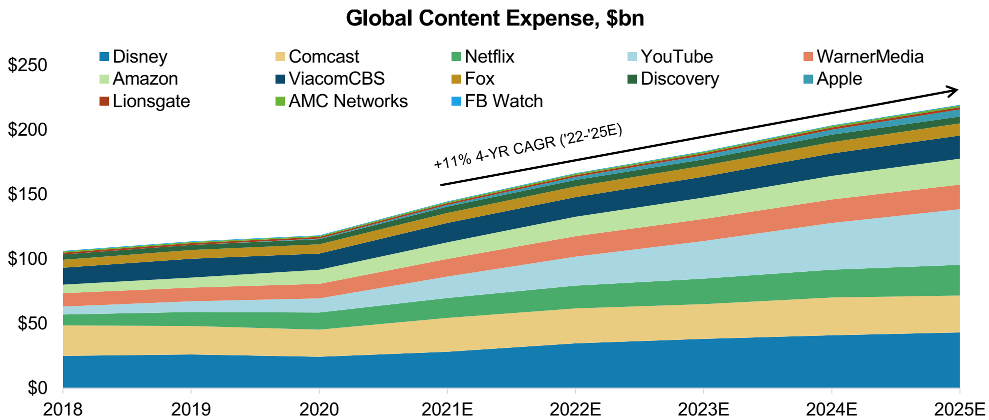
Morgan Stanley is acting as financial advisor to MGM Holdings Inc. ("MGM") in connection with its definitive agreement to be acquired by Amazon.com, Inc. as announced on May 26, 2021. The proposed transaction is subject to regulatory approvals and other customary closing conditions. MGM has agreed to pay fees to Morgan Stanley for its services, including transaction fees which are contingent upon consummation of the transaction. Please refer to the notes at the end of this report.

Exhibit 1: As vaccination rates have increased, US moviegoers have returned



Source: Company data, Morgan Stanley Research. www.ourworldindata.org; Note: US Vaccination Rate = % of people in the US who received at least one vaccine dose

Exhibit 2: Global content spending is set to grow at a double-digit CAGR over the next 4-5 years



Source: Company data, Morgan Stanley Research

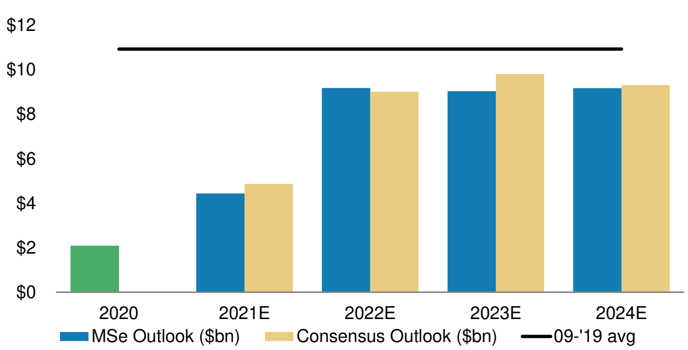
Key Debate 1: Will Consumers Go Back to the Movies?

Market View: Consensus expectations for North American box office in '22-'23 appear to reflect attendance that will be 10-20% lower than pre-COVID levels.

MS View: Our updated box office outlook, discussed in detail below, suggests slight upside to consensus in '22 given the strong slate of upcoming film releases – many delayed from 2020 and 2021. In the longer term, however, we see box office normalizing ~15% below pre-pandemic levels but with the risk skewed to the upside. We arrive at this view by analyzing the historical movie-going audience and factoring in potential shifts in consumer demand and film supply.

Specifically, we think attendance will rebound strongly in '22 thanks to a packed slate of releases followed by a drop in '23 and moderate growth in total box office revenues thereafter (see Exhibit 3). Ultimately, the business will be smaller than pre-pandemic, but robust enough to support exhibitors and studios alike.

Exhibit 3: Our updated box office forecasts are ~15% below historical box office revenues



Source: Company data, Morgan Stanley Research

We break this Key Debate into three sub-sections: 1) an analysis of expected consumer demand, 2) an analysis of expected studio supply as media companies focus on streaming, and 3) our base/bull/bear case expectations for the US box office.

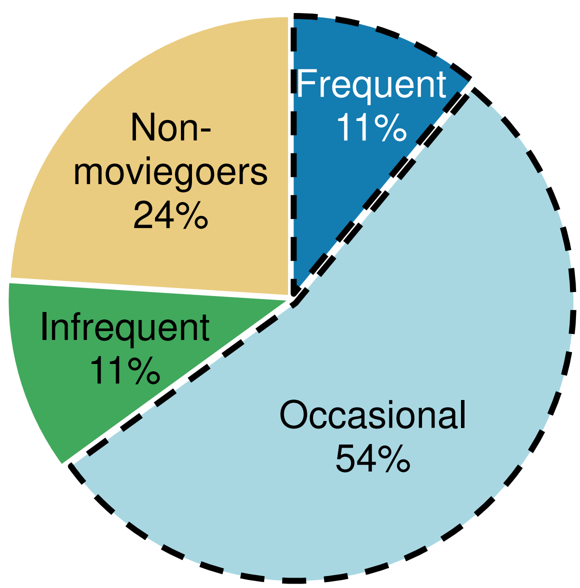
We also take a closer look in Key Debate 2 at what we have learned during the 2021 summer of COVID recovery, and believe movie supply is going to remain healthy going forward.

1) Key Question: Historically, who goes to the movies? The 50/10 rule

The North American box office has historically been an $11bn market, and the movie-going cohort of ~ 75% of the population has participated to some degree. In 2019, it is worth noting that 11% of the population bought ~47% of the tickets. Our base case forecast assumes the behavior of these "frequent moviegoers" remains unchanged in a post-COVID environment.

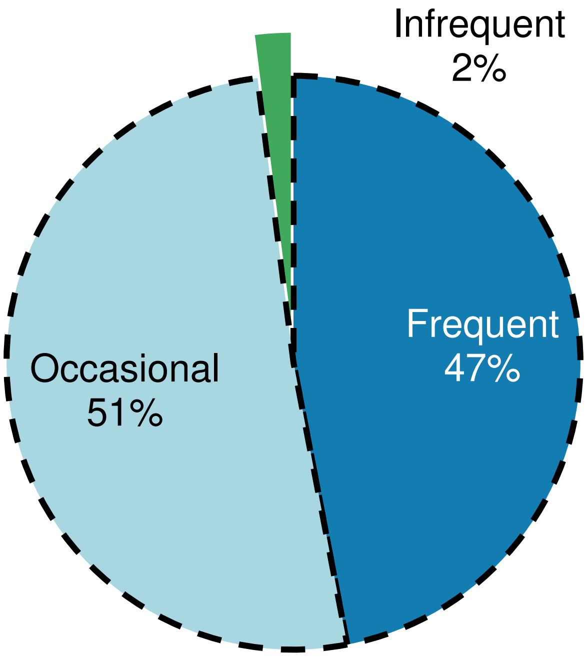
Likewise, 54% of the population (occasional moviegoers) bought 51% of the tickets. We assume in our forecast these moviegoers reduce their frequency by ~40% in our base case. The other 11% of the population are categorized as infrequent moviegoers and attend the theatre once every 12 months, representing ~2% of the annual ticket sales. We assume this cohort moves to the non-moviegoer population, which was ~25% of the population in 2019. Exhibit 7 highlights the ticket sales per group in our base/bull/bear scenarios relative to 2019. Frequent moviegoers attend the theatre at least once a month while occasional moviegoers attend the theatre less than once per month.

Exhibit 4: ~75% of the US population attends the movies at least once per year



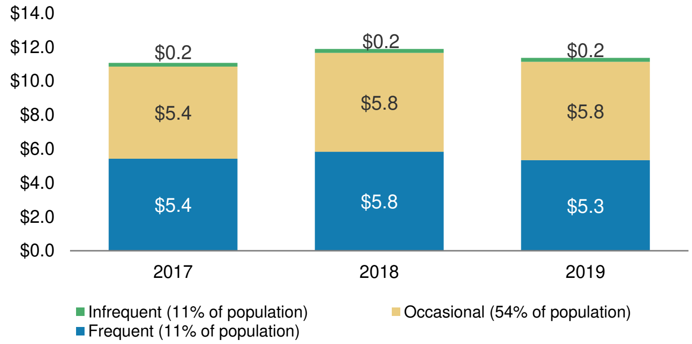
Source: Company data, Morgan Stanley Research; MPAA Theme Report

Exhibit 5: Around 50% of industry ticket sales are driven by frequent moviegoers who go to the cinema at least once per month



Source: Company data, Morgan Stanley Research; MPAA Theme Report

Exhibit 6: Frequent moviegoers drive almost half of tickets sold every year, while occasional moviegoers drive a little over half



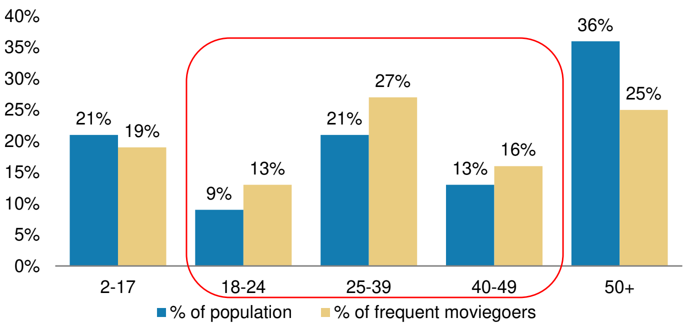
Source: Company data, Morgan Stanley Research; MPAA Theme Report

Exhibit 7: Post-COVID vs Pre-COVID Box Office Attendance Assumptions

Post-COVID vs. pre-COVID Box Office Attendance on 2019 Box (1,240m tickets)	**Bull**	**Base**	**Bear**
Frequent Movie Goers	100%	100%	80%
Occasional Movie Goers	100%	60%	45%
Infrequent Movie Goers	0%	0%	0%
Total % of 2019 Box Office	**98%**	**78%**	**61%**
# of tickets sold (m)	1,215	965	753

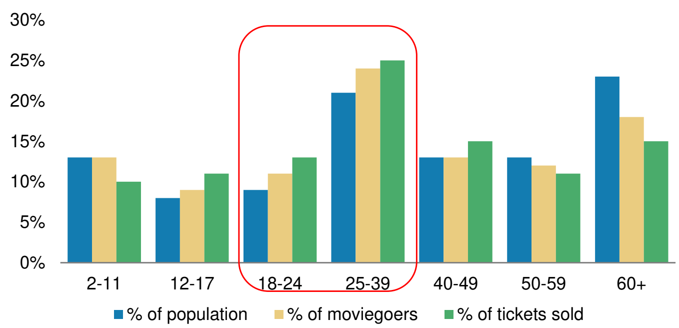
Source: Company data, Morgan Stanley Research, MPAA Theme Report

Exhibit 8: Frequent moviegoers skew younger than the general population



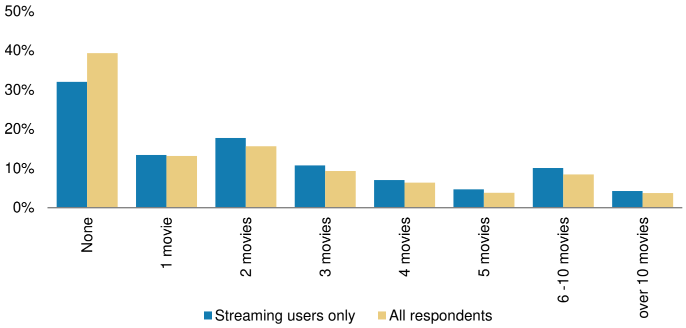
Source: Company data, Morgan Stanley Research, MPAA Theme Report

Exhibit 9: Younger-age demos make up a larger share of the overall movie-going population



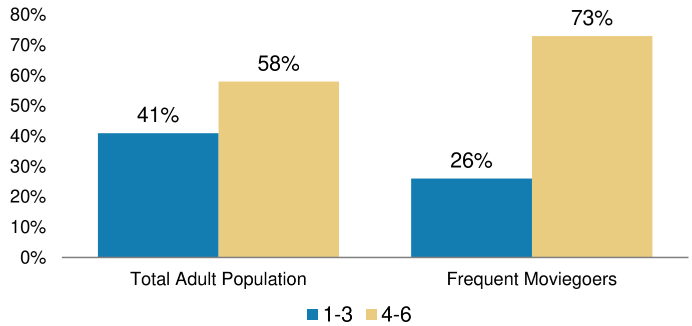
Source: Company data, Morgan Stanley Research, MPAA Theme Report

Exhibit 10: Streaming adoption appears to correlate with movie-going



Source: Company data, Morgan Stanley Research, AlphaWise

Exhibit 11: Frequent moviegoers tend to own more technology products than the general population



Source: Company data, Morgan Stanley Research, MPAA Theme Report

We expect frequent moviegoers are expected to remain frequent post-COVID: While only representing ~11% of the population, frequent moviegoers have the most outsized impact on the box office. Three factors drive our assumption that this business is fully retained post COVID:

1. They enjoy going to the movies, as evidenced by their historical behavior of going 15 times a year, or more than once a month.
2. They do not see streaming as an alternative to movie-going, as they are heavy streamers already and continue to go to the movies.
3. They are younger than the overall population, suggesting fewer lingering health concerns as COVID subsides.

Occasional moviegoers, who typically buy 3-4 tickets a year, are likely more at risk to reduce their movie-going relative to pre-pandemic, in our view: Our outlook that these ticket sales return to only 60% of their pre-COVID levels is based on the following assumptions:

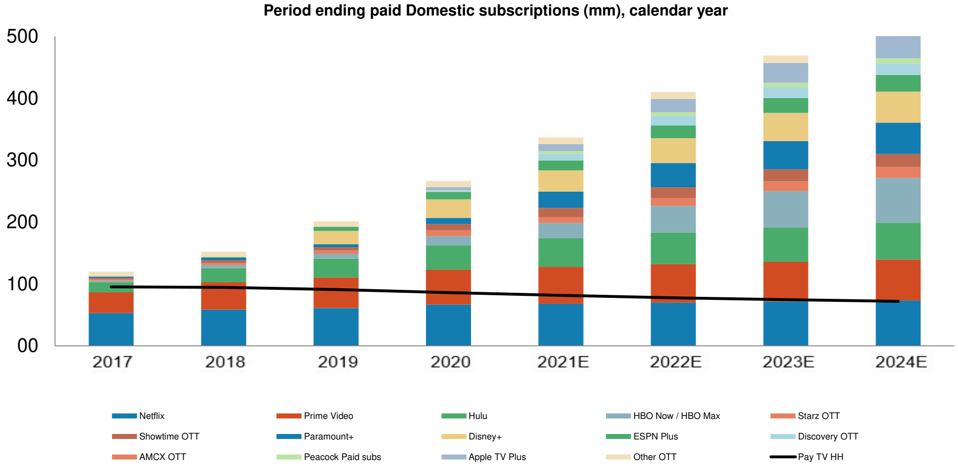
1. At only 3-4 tickets purchased a year, only true event films have historically drawn these consumers to the theater. While this supply will likely continue, there is a corresponding increase in supply of direct-to-streaming film output that we believe will cannibalize these occasional moviegoers.
2. This is the group, in our view, that is likely to be impacted by the shift to shorter theatrical windows. Starting in '22, the studios plan to largely adopt a 45-day window relative to the legacy 70- to 90-day window. In some cases, the window may be even shorter. The occasional moviegoer is more likely to wait for streaming than frequent moviegoers, in our view.

We assume infrequent moviegoers, who represent 11% of the population and just 2% of tickets sold historically, are not returning to the theaters post-COVID.

What have we learned about the movie business since the pandemic began? While exhibitors and studios are still not fully operating in a post-pandemic environment, recent data points from the reopening generally underscore a few key trends:

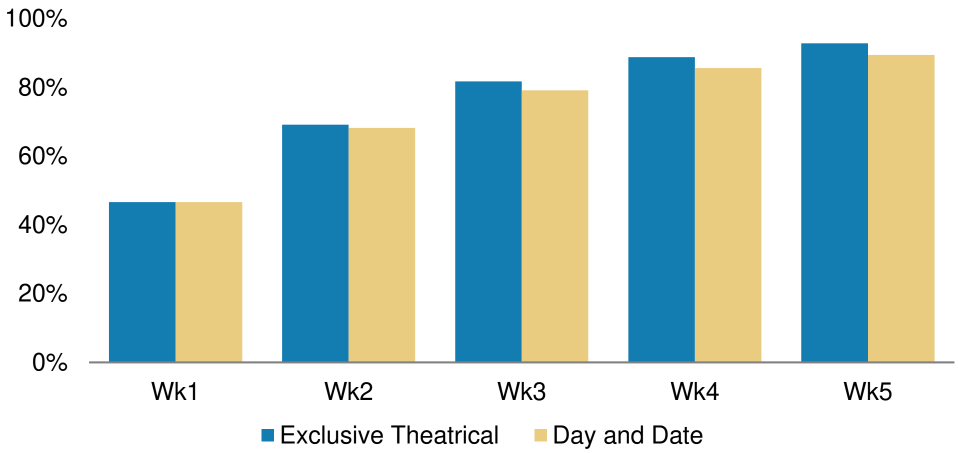
1. There is appetite from consumers for early window streaming of movies, both as part of an S-VOD service (day and date) or on a premium VOD basis (Disney Plus's Premier Access, as an example). However, we believe this consumption does cannibalize the box office to some degree, with additional risk associated with elevated piracy.
2. While studios are moving back to an exclusive theatrical window, that window is shorter and subject to further compression in the future.
3. The pandemic has led to an acceleration of a trend that began even before COVID – increased studio focus on tent-pole/franchise films and the shift to direct-to-streaming distribution for smaller budget films with narrower appeal.

Exhibit 12: We expect over 300mm US streaming video subscriptions by YE21



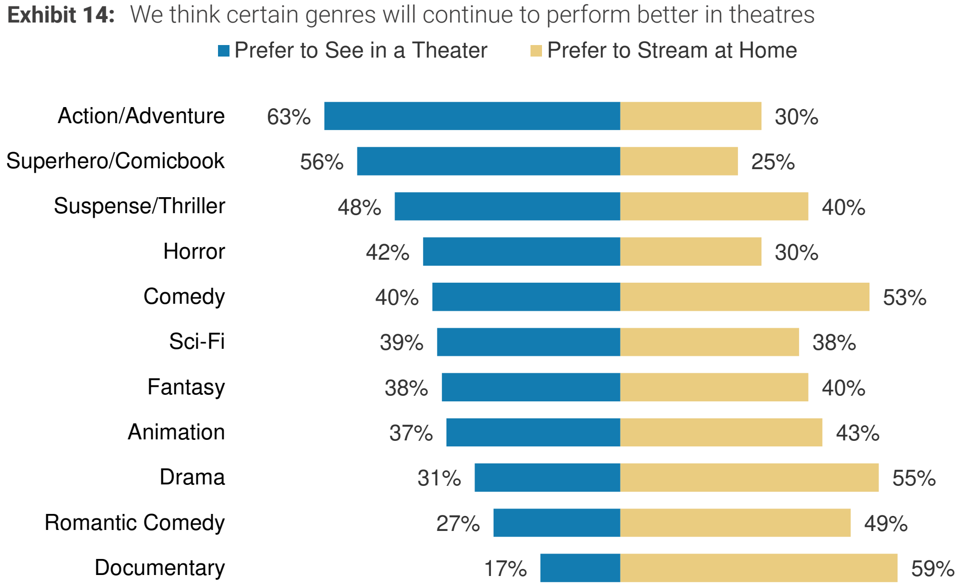
Source: Company data, Morgan Stanley Research

Exhibit 13: Movie-going consumption habits remain largely intact among both day-and-date and exclusive theatrical releases



Source: Company data, Morgan Stanley Research; Note: Represents Universal films released in 2021

Exhibit 14: We think certain genres will continue to perform better in theatres



Source: Company data, Morgan Stanley Research; NRG

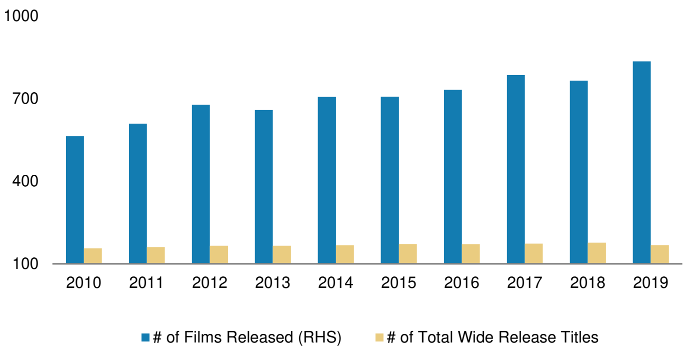
2) Key Question: What will happen to theatrical supply as studios shift their focus to streaming?

Direct-to-streaming existed pre-pandemic, but supply will increase: The market is concerned studios will shrink theatrical supply in favor of streaming, and while directionally this is likely the case, this is more a continuation of the pre-COVID trend than anything new. For example, when Disney Plus first launched (Nov. 2019), the studio produced specific-to-streaming movies for the service such as *Noelle*. In fact, despite the growth in streaming during COVID, we believe the role of theatrical distribution in "event-izing" films remains key to franchise building.

Windows are shrinking: As studios during the past 18 months have renegotiated their window-ing agreements with exhibitors, the cost/benefit of direct-to-streaming vs. exclusive theatrical distribution has been shifting week to week. There appears to be broad agreement to move towards a 45-day window in 2022 across the studios, and we expect studios to release all tent-pole, franchise films theatrically as a result. We view most recent commentary from Disney, whose theatrical market share continues to dominate the box office industry (see Exhibit 18), as encouraging with regard to supporting exclusive theatrical windows as an important ongoing distribution strategy.

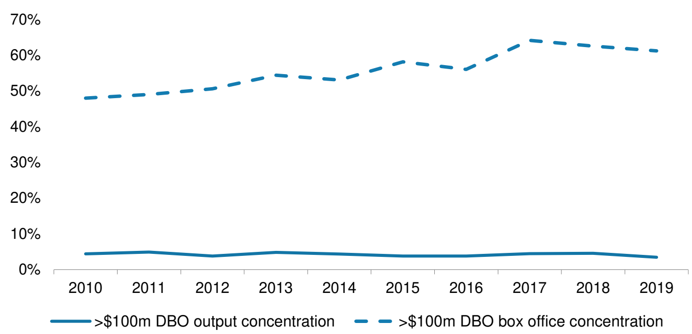
Fewer but bigger budget films: As it relates to box office impact, the slow-and-steady focus by studios on fewer but larger tent-pole films may have a minor dampening effect on long-term box office growth. When looking historically at box office release schedules, the number of wide-release titles in a given year has only grown ~1% , despite the total number of films being released theatrically growing ~4% CAGR over the past 9 years.

Exhibit 15: Theatrical film output has grown by ~4%/yr while wide release output has only grown 1% over the same period



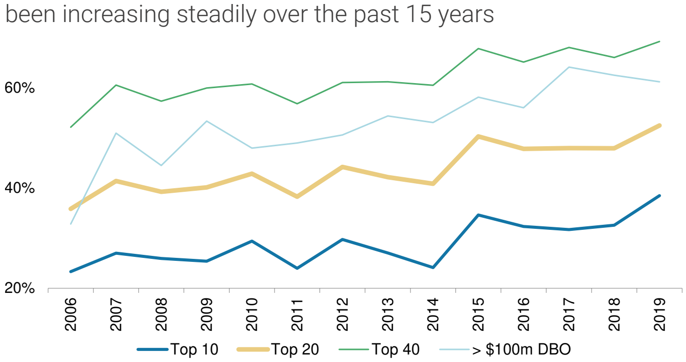
Source: Company data, Morgan Stanley Research

Exhibit 16: Big tent-pole films have declined as a percentage of total film output, but have grown as a contributor to total box office receipts



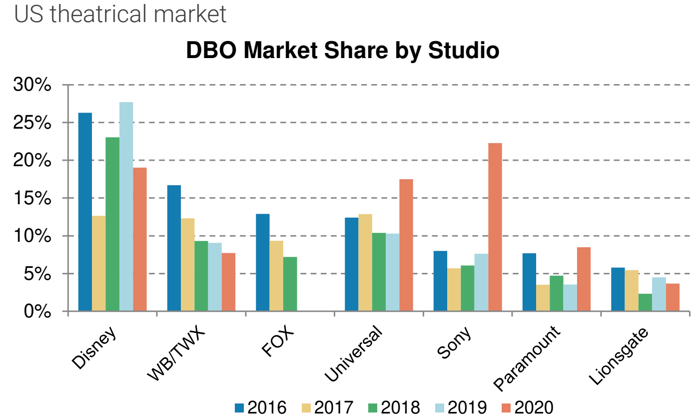
Source: Company data, Morgan Stanley Research

Exhibit 17: Top film concentration as a % of the total box office has been increasing steadily over the past 15 years



Source: Company data, Morgan Stanley Research; BoxOfficeMojo

Exhibit 18: Disney, which acquired Fox, continues to dominate the US theatrical market



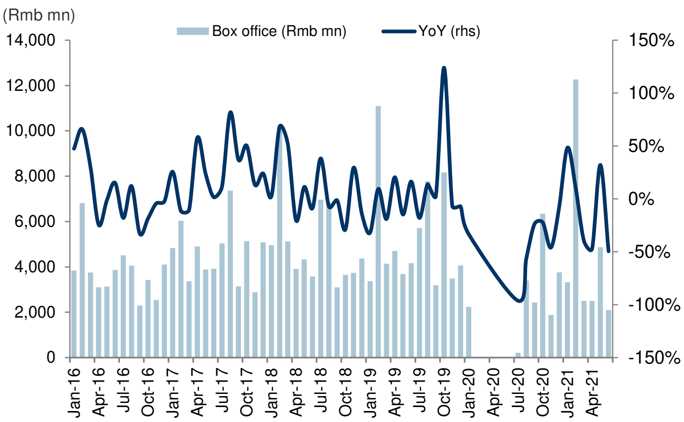
Source: Company data, Morgan Stanley Research, Box Office Mojo; Note: Fox acquisition closed in March 2019

3) Key Question - What have we learned from international box office trends?

While re-opening trends around the world remain staggered, we see incrementally positive data points supporting an eventual global box office recovery in a post-COVID operating environment. We look at box office data from the China and UK markets, where the recovery has been encouraging. On a global basis, through August, global box office surpassed 2020's $12bn.

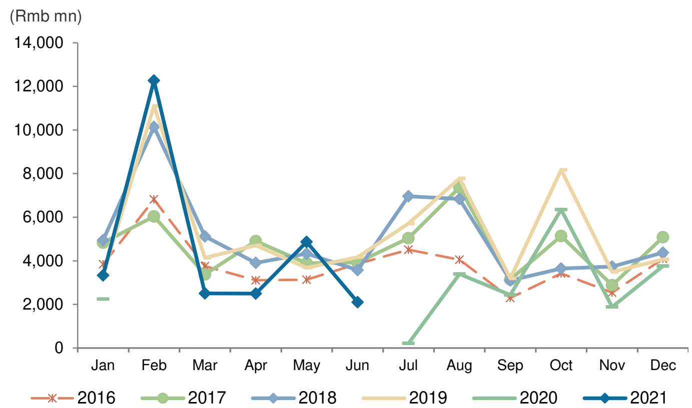
Box office recovery in China has been encouraging as a leading indicator for recovery in the North American market. During 1Q21, around Chinese New Year, 2021 box office exceeded prior 2019 levels, attributable to 1) strong demand from consumers given travel restrictions and 2) strong content supply. Further bolstering the box office was positive reception of local titles. In the UK, which has fared better YTD than the North American market, box office recovery has rebounded to -22% relative to 2019 levels.

Exhibit 19: China Monthly Box Office and Growth (YoY and vs. 2019)



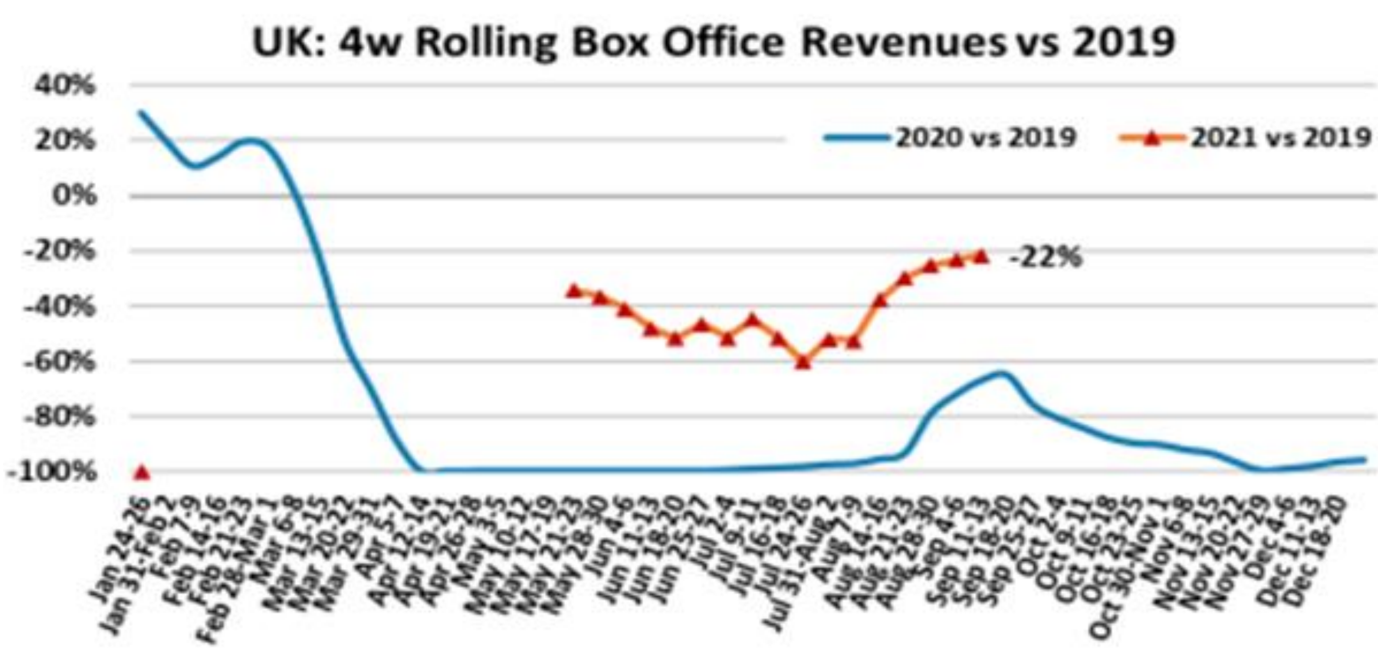
Source: Company data, Morgan Stanley Research

Exhibit 20: China Monthly Box Office Comparison



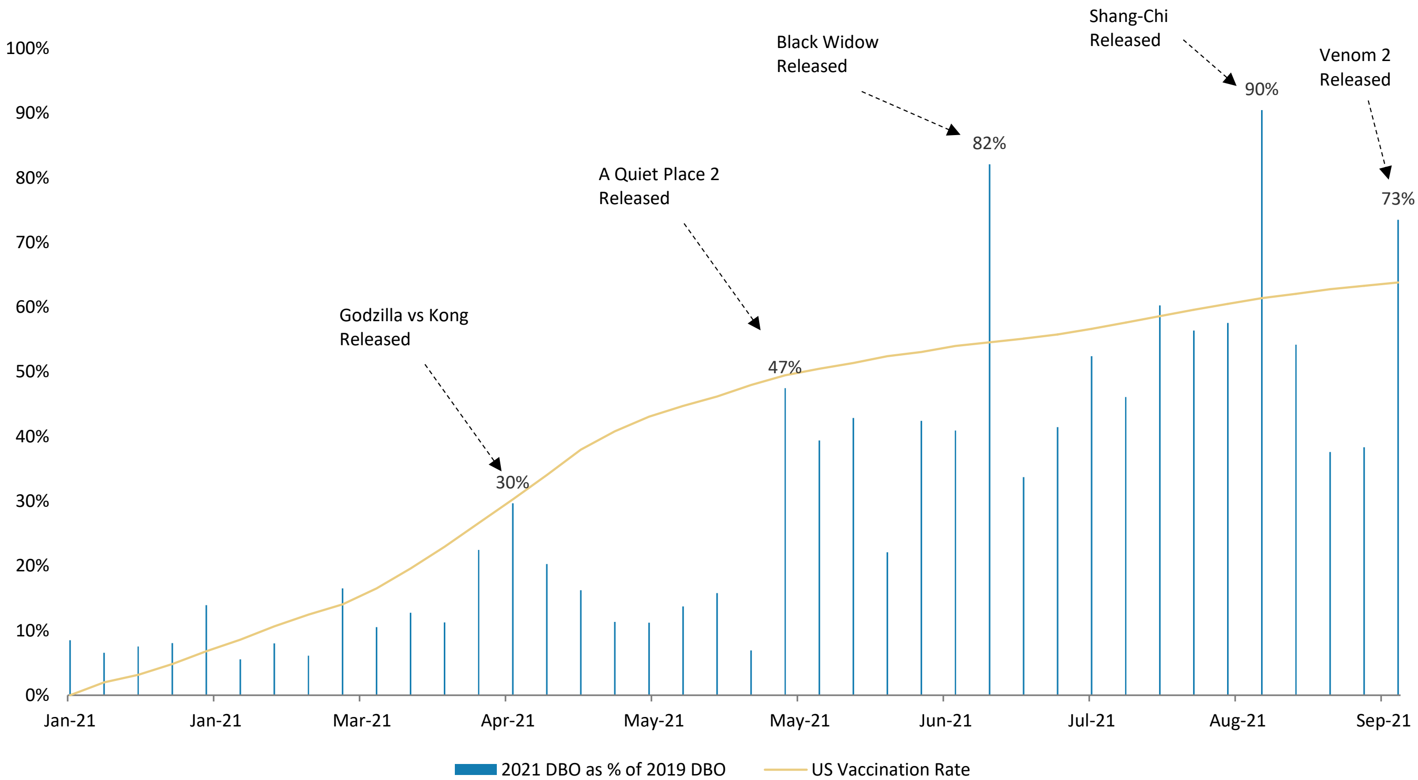
Source: Company data, Morgan Stanley Research

Exhibit 21: UK 4-wk rolling box office has recovered to -22% of 2019 levels



Source: Company data, Morgan Stanley Research

Exhibit 22: As vaccination rates have increased, US moviegoers have returned



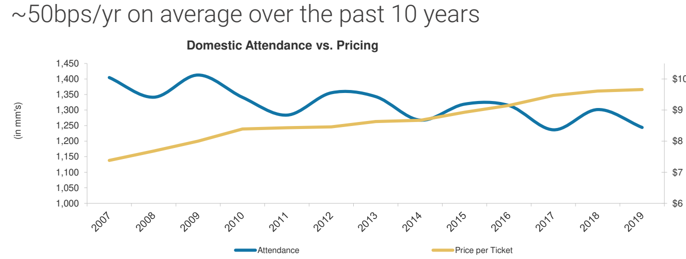
Source: Company data, Morgan Stanley Research. www.ourworldindata.org; Note: US Vaccination Rate = % of people in the US who received at least one vaccine dose

What are our bull/bear/base case assumptions on box office recovery post- COVID?

Our base case is that in a post-pandemic world, attendance does not fully recover to prior peak. Attendance had been trending down ~50bps / yr even prior to 2020 (see Exhibit 23). Attempting to balance 1) new movie distribution agreements, 2) proliferation of streaming services, and 3) altered consumer behavior, we run sensitivities on attendance and overall industry box office based on a few key assumptions:

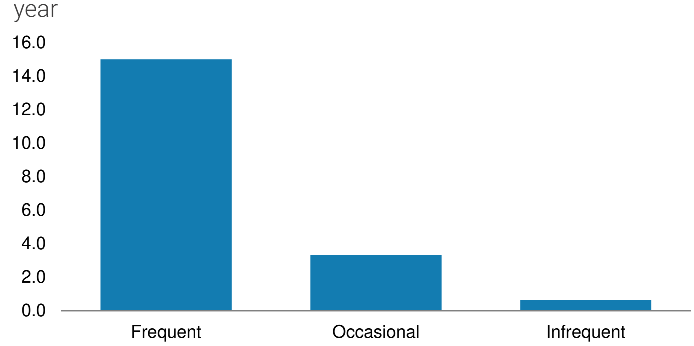
1. Bull case: Assuming infrequent moviegoers no longer go to the cinema, given behavioral pattern of only going once a year being easily supplemented by other in-home content options
2. Base case: Assuming frequent moviegoers still on average buy 15 movie tickets per year and assuming occasional moviegoers only buy 2 movie tickets per year, instead of 3-4
3. Bear case: Assuming frequent moviegoers only buy 12 movie tickets per year and assuming occasional moviegoers only buy 2 movie tickets per year, instead of 3-4

Exhibit 23: Domestic attendance has been trending down ~50bps/yr on average over the past 10 years



Source: Company data, Morgan Stanley Research, MPAA

Exhibit 24: A frequent moviegoer visits the cinema ~15 times per year



Source: Company data, Morgan Stanley Research; MPAA Theme Report

Exhibit 25: Impact to 2022 Box Office from Changes in Movie-Going Frequency

2022 Box Office Forecast	
U.S./Canada Total Population (mm)	357.8
Infrequent Movie-Goers (11%)	39.4
Occasional Movie-Goers (54%)	193.2
Frequent Movie-Goers (11%)	38.6

2022 Box Office Impact	2019 Box Office	Bull	Base	Bear
Avg # of Tickets Purchased / Yr				
Infrequent Movie-Goers	1	0	0	0
Occasional Movie-Goers	3	3	2	2
Frequent Movie-Goers	15	15	15	12
Total # of Tickets Purchased (m)				
Infrequent Movie-Goers	25	0	0	0
Occasional Movie-Goers	632	640	386	290
Frequent Movie-Goers	583	578	578	463
Avg Ticket Price	$9.16	$9.52	$9.52	$9.52
Box Office Contribution ($bn)				
Infrequent Movie-Goers	$0.2	$0.0	$0.0	$0.0
Occasional Movie-Goers	$5.8	$6.1	$3.7	$2.8
Frequent Movie-Goers	$5.3	$5.5	$5.5	$4.4
Total Box Office ($bn)	**$11.4**	**$11.6**	**$9.2**	**$7.2**
2022 Box Office Forecast	9.2	9.2	9.2	9.2
vs. 2022 Box Office Forecast	**24%**	**26%**	**0%**	**-22%**

Source: Company data, Morgan Stanley Research

Exhibit 26: Impact to 2023 Box Office from Changes in Movie-Going Frequency

2023 Box Office Forecast	
U.S./Canada Total Population (mm)	359.2
Infrequent Movie-Goers (11%)	39.5
Occasional Movie-Goers (54%)	194.0
Frequent Movie-Goers (10%)	35.8

2023 Box Office Impact	2019 Box Office	Bull	Base	Bear
Avg # of Tickets Purchased / Yr				
Infrequent Movie-Goers	1	0	0	0
Occasional Movie-Goers	3	3	2	2
Frequent Movie-Goers	15	15	15	12
Total # of Tickets Purchased (m)				
Infrequent Movie-Goers	25	0	0	0
Occasional Movie-Goers	632	643	388	291
Frequent Movie-Goers	583	537	537	430
Avg Ticket Price	$9.16	$9.75	$9.75	$9.75
Box Office Contribution ($bn)				
Infrequent Movie-Goers	$0.2	$0.0	$0.0	$0.0
Occasional Movie-Goers	$5.8	$6.3	$3.8	$2.8
Frequent Movie-Goers	$5.3	$5.2	$5.2	$4.2
Total Box Office ($bn)	**$11.4**	**$11.5**	**$9.0**	**$7.0**
2023 Box Office Forecast	9.0	9.0	9.0	9.0
vs. 2023 Box Office Forecast	**26%**	**28%**	**0%**	**-22%**

Source: Company data, Morgan Stanley Research

Key Debate 2: What Is the Impact of COVID on the Film Studio Business?

Market View: COVID and streaming have reduced the earnings outlook and value of film studios. Specifically, two key revenue sources for film distribution - theatrical and home video - are fractions of their historical values.

MS View: While the earnings mix is permanently shifting, the role and value of film properties, in our view, is on the rise. The pandemic accelerated a pre-COVID trend of more films shifting towards streaming monetization. Importantly, however, subscription streaming has been additive to overall global consumer spending on entertainment. Going forward, we see underlying consumer demand fueling content spending growth and supporting film studio asset values. **The key takeaways for film studios:**

- **Two film studio models emerging:** Film studio asset values are likely rising, benefiting from strong demand for both new and library content. For vertically integrated studios (e.g., NFLX, DIS, VIAC), this value transfers to direct-to-consumer streaming initiatives. For those selling to everybody (e.g., LGF, Sony), there are benefits from healthy demand for content production.
- **The role of film product in streaming is substantial and growing:** While we believe new release strategies were likely partly cannibalistic to theatrical moviegoing, incremental value from streaming subscriber growth or Premium VOD (P-VOD) rentals suggest financial upside for film studio monetization.
- **The theatrical window will rebound strongly in '22:** The return of more normalized theatrical windows in '22 suggests a substantial global box office industry on top of streaming monetization.

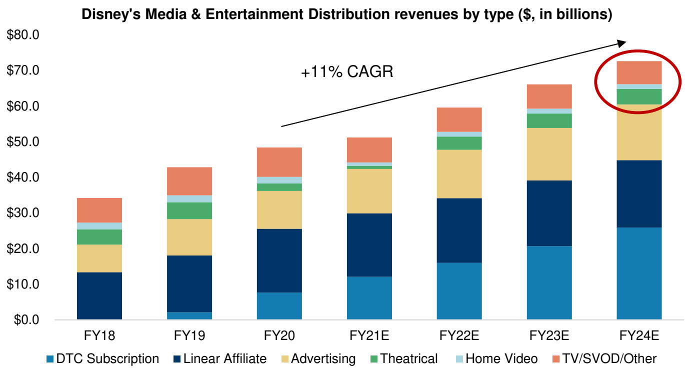
The movie business is alive and well, but the standalone film P/L is largely dying as streaming takes primacy: Perhaps one of the clearest examples of the industry's shifting focus for content monetization can be seen at Disney, where financial reporting breaks out third-party content sales net of intersegment eliminations. Beyond the pressure from pandemic-related theater closures and theatrical slate disruption, Disney's focus on direct-to-consumer initiatives has led to declines in third-party syndication revenues and traditional home video revenues will likely see continued pressure from shortening windows. For Disney, content sales revenues now represent only 15-20% of total Media & Entertainment segment revenues (see Exhibit 29).

Exhibit 27: Studio theatrical window agreements are congregating around a 30-45 day window, down from the industry's historical 70-90 day window

	The Walt Disney Company	WarnerBros	Universal Pictures	Sony Pictures	Lionsgate	Paramount Pictures	Netflix	Amazon
New Windowing Strategy	Film by film basis, 45-day for most in 4Q21	45-day exclusive theatrical window	31-day exclusive theatrical window for titles opening at >$50mm 17-day exclusive theatrical window for others	45-day exclusive theatrical window (most): 12-15 films per year Direct to streaming for smaller films	Film by film basis, 45-day exclusive theatrical window	45-day exclusive theatrical window for tent pole films 30-day exclusive theatrical window for others	Primarly Streaming	MGM Films - TBD Amazon Films - Primarly Streaming
Scheduled Wide Releases in '22	18	12	19	9	5	13	0	1
Key Franchises	Marvel, Star Wars, Pixar, Mickey Mouse, Disney Princesses, Nat Geo, Pirates of the Caribbean, Winnie the Pooh, Avatar, Planet of Apes	DC Comics, Looney Tunes, Harry Potter, The Matrix, Cartoon Network IP, The Conjuring, Middle-earth, Mortal Kombat, Monsterverse, Wizard of Oz	Fast & Furious, Jurassic Park, The Purge, Despicable Me, Boss Baby, Barbie, Back to the Future, American Pie, How to Train Your Dragon, Jaws, The Lego Movie, Meet the Parents, Bourne, Shrek, The Croods, Madagascar, Kung Fu Panda	Spiderman, Bad Boys, Charlie's Angels, Ghost Rider, Ghostbusters, Jumanji, The Karate Kid, Men in Black, Zombieland, Hotel Transylvania, Death Note, Resident Evil, Smurfs, Underworld	John Wick, Saw, The Expendables, Hunger Games, Twilight, Blair Witch, Children of the Corn, Dirty Dancing, Divergent, Rambo	Top Gun, Mission Impossible, SpongeBob, Halo, Mean Girls, Friday the 13th, Sonic, A Quiet Place, Paranormal Activity, Transformers, Jackass, Terminator	Netflix originals (Stranger Things, Witcher, Squid Game, Roald Dahl)	Amazon Originals, 007, RoboCop, Rocky, Stargate, Legally Blonde, Pink Panther, Jump Street, Clash of the Titans, Hot Tub Time Machine, Jack Ryan
Domestic Box Office Market Share Pre-COVID ('17-'19 North America Average)	36%	16%	14%	11%	6%	5%	NM	NM

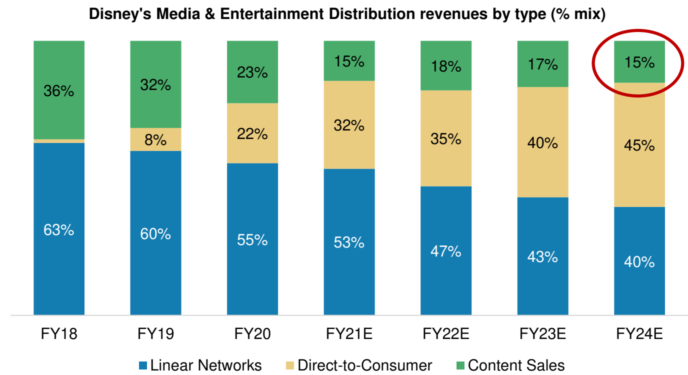
Source: Company data, Morgan Stanley Research. Note: scheduled to be distributed by each studio on Box Office Mojo as of 6.25.21

Exhibit 28: Disney is shifting towards direct-to-consumer streaming monetization...



Source: Company data, Morgan Stanley Research

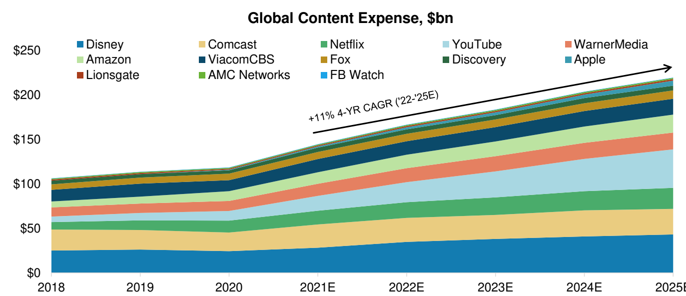
Exhibit 29: ... with Content Sales (aka Film & TV Studio) now 15-20% of overall Media segment revenues



Source: Company data, Morgan Stanley Research

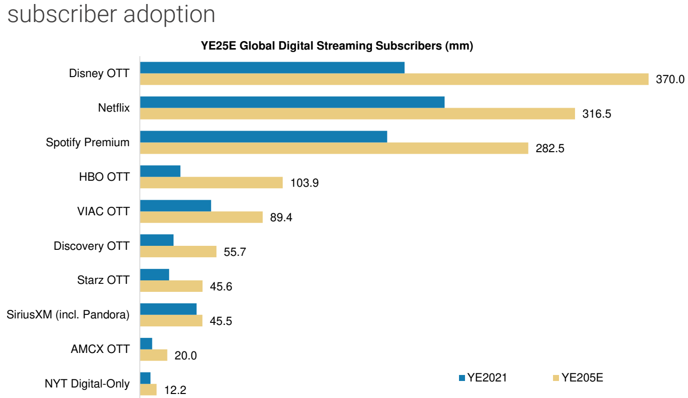
For vertically integrated studios, a film's success will be increasingly measured by its role in a broader global portfolio of streaming content: It is difficult to assess the value of a single piece of content as a driver of consumer streaming subscription, but it is clear that original content is critical to attracting and retaining subscribers, and we believe greater subscriber scale in the streaming business is critical to improving unit economics and profitability. As companies compete for consumer viewership share, we anticipate global content expense across major media companies will continue to grow at a double-digit CAGR over the next 4-5 years. Underlying consumer demand appears to be supporting overall market growth, with streaming subscriptions largely incremental to global spend on entertainment (see Exhibit 32).

Exhibit 31: Global content spending is growing at a double-digit CAGR over the next 4-5 years



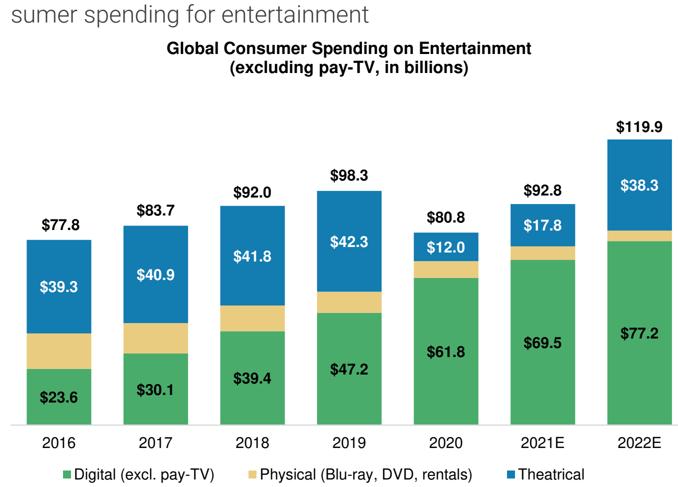
Source: Company data, Morgan Stanley Research

Exhibit 30: Content success drives streaming engagement and subscriber adoption



Source: Company data, Morgan Stanley Research. Note: Disney includes Hulu subscribers who also subscriber to Hulu w/ Live TV

Exhibit 32: Subscription streaming is driving growth in total consumer spending for entertainment



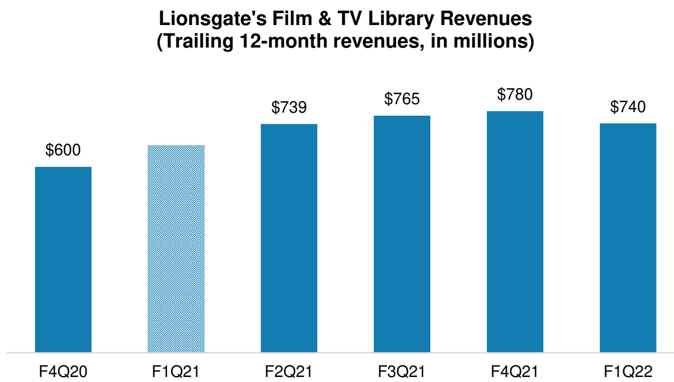
Source: MPAA, PWC, Morgan Stanley Research

Demand for library content is also growing, with value of film studios likely increasing: Disney has largely turned its film and TV production studios towards ramping original content for its own streaming services, while **Warner Media**'s Warner Bros. and **ViacomCBS'** Paramount have also increasingly leveraged their respective IP portfolios to power streaming initiatives (HBO Max and Paramount Plus, respectively) but also to some extent remain content suppliers to third-party buyers.

Lionsgate similarly has increased TV production to ramp its original content slate at Starz, but it continues to monetize its production capacity and library content through third parties across both traditional network and new streaming channels. As streaming services build content offerings to attract subscribers, the value of library content has increased, evidenced by Lionsgate's growing library revenues (see Exhibit 33). Recent pay-1 deals also highlight a shift towards aligning studio content with streaming initiatives, while third-party studios like Sony have seen a meaningful step-up on the value of their film output (see Exhibit 34).

Amazon's recently announced acquisition of MGM (see company press release here) for $8.45bn implies a high-teens fwd EBITDA multiple based on MGM's most recent forward-looking guidance, highlighting the potential value of film studio assets and content-based IP. For vertically integrated studios such as Disney and Netflix, the internal content production engines drive streaming initiatives. Smaller film and TV production assets could see upside realized from a potential sale. Based on MGM's recent implied transaction multiple, there could be upside to the implied fair market value that we have embedded in our individual company forecasts. We have no direct knowledge of any pending deals.

Exhibit 33: Demand for library film and TV content has grown, fueled by growth in streaming



Source: Company data, Morgan Stanley Research

Exhibit 34: Recent pay-1 deals reflect a shift towards driving streaming initiatives and strong underlying demand for film content

Recent Pay-1 Deals

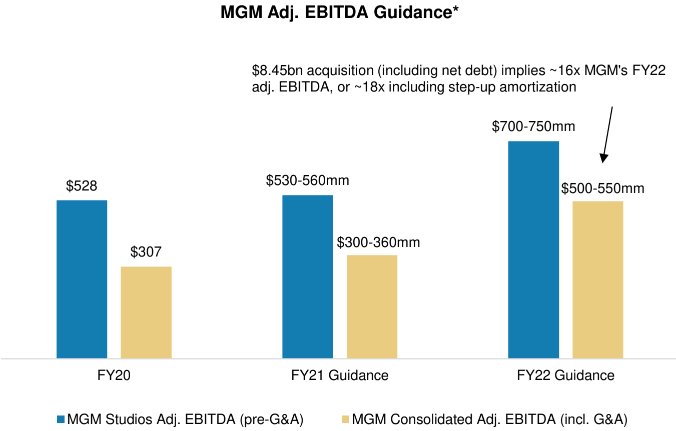
Studio	Window	Platform	Length	AAV
Amblin	Pay 1	Showtime	2022-2024	
Disney	Pay 1 (Disney) Pay 1 (20th Century)	Disney+ TBD	2019+ 2023+	NA
Lionsgate	Pay 1 (Lionsgate) Pay 1 (Summit)	Starz Starz	2022+ 2023+	NA
Paramount	Pay 1 Subsequent windows	Paramount+ / Epix Epix	2023 2023	
Sony	Pay 1 Subsequent windows	Netflix Disney outlets	2022-2026 2022-2026	$400 $200
Universal	Pay 1 (Blocks 1 & 3) Pay 1, Live Action (Block 2) Pay 1 Animation(Block 2) Subsequent (Live-Action) Subsequent (Animation)	Peacock Amazon Netflix Starz Netflix	2022- 2022- 2022- 2022- 2022-	
Warner Bros	Pay 1	HBO / HBO Max	NA	NA

Prior Pay-1 Deal

Studio	Window	Platform	Length	AAV
Amblin	Pay 1	Showtime	2017-2021	
Disney	Pay 1 (Disney) Pay 1 (20th Century)	Netflix HBO / HBO Max	2016-2018 2016-2022*	$300
Lionsgate	Pay 1 (Lionsgate) Pay 1 (Summit)	Hulu / FX HBO / HBO Max	2020-2021 2018-2022*	
Paramount	Pay 1	Epix	2018-2022	
Sony	Pay 1 (Live-Action) Pay 1 (Animation)	Starz Netflix	2017-2021* 2014-2021	$250
Universal	Pay 1 (Universal) Pay 1 (Illumination)	HBO / HBO Max Netflix	2017-2021* 2015-2021	$200
Warner Bros	Pay 1	HBO / HBO Max	NA	NA

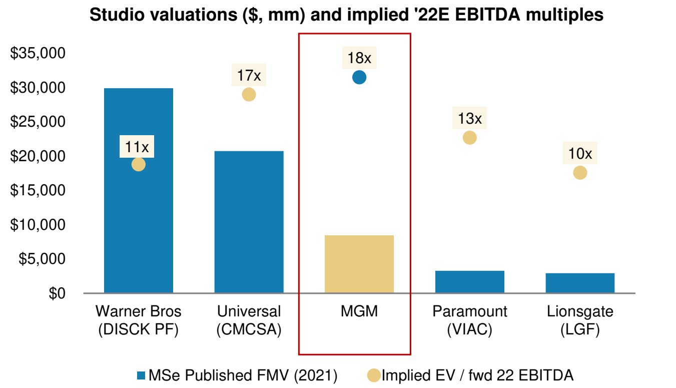
Source: Company data, Morgan Stanley Research. Note: some deal lengths reflect extensions of previously existing deals

Exhibit 35: Amazon and MGM announced a definitive agreement in May that valued MGM at ~16x adjusted FY22 EBITDA



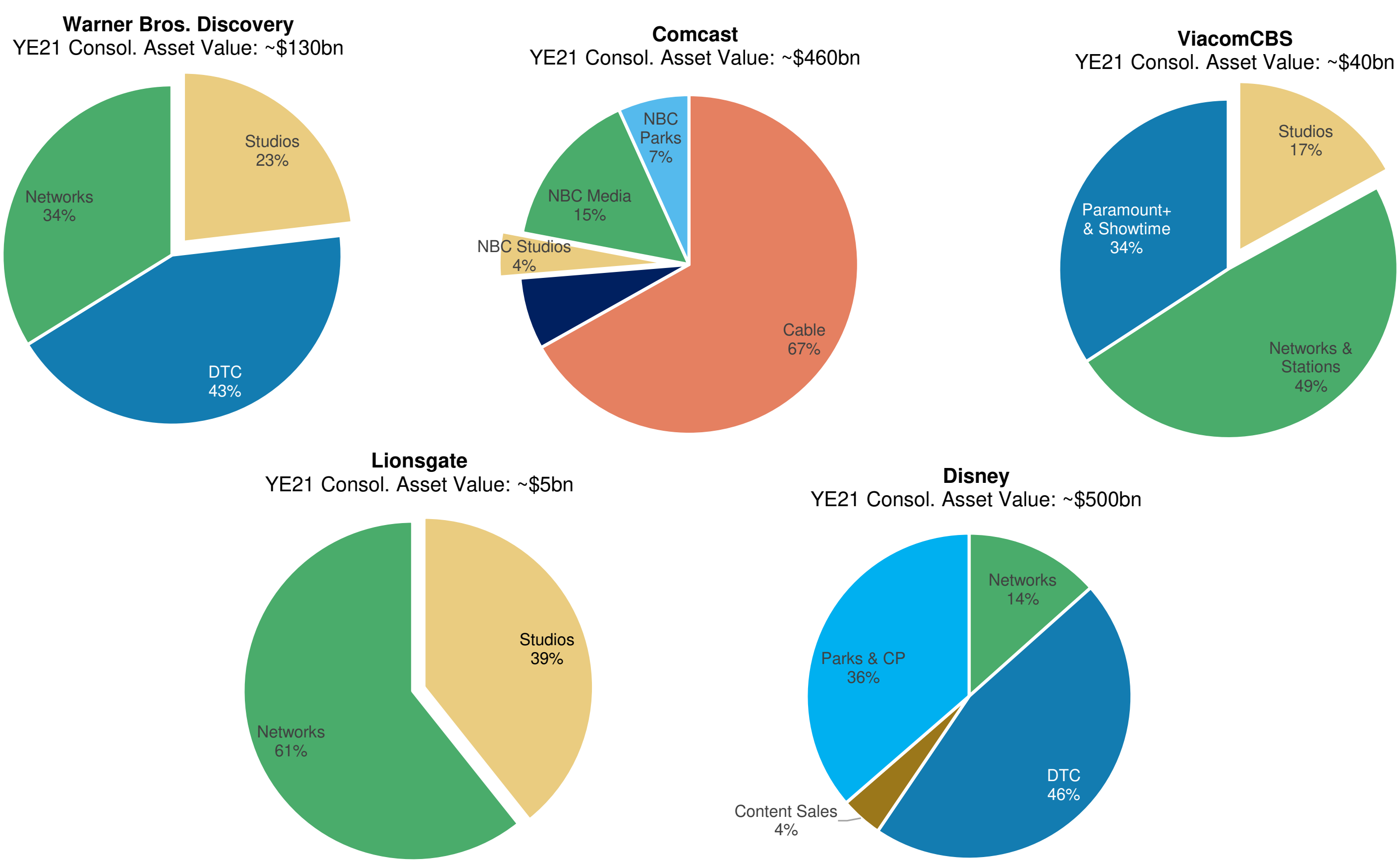
Source: Company data, Morgan Stanley Research. Note: MGM previously provided adj. EBITDA guidance with FY2020 financials and defines adjusted EBITDA as excluding step-up amortization, purchase accounting adjustments, and stock-based compensation

Exhibit 36: The pending MGM transaction implies potential upside to the film and TV studio valuations embedded in our company forecasts



Source: Company data, Morgan Stanley Research. Note: MGM adjusts company-defined adj. EBITDA to include step-up amortization expense; Paramount reflects film studio only and excludes CBS Studios

Exhibit 37: Studio asset values benefit from strong content demand, with vertically integrated studios directing the value towards DTC initiatives



Source: Company data, Morgan Stanley Research; Note: consolidated asset value reflects individual company model FMVs including corporate overhead. Disney reflects segment reporting with content sales net of intersegment eliminations

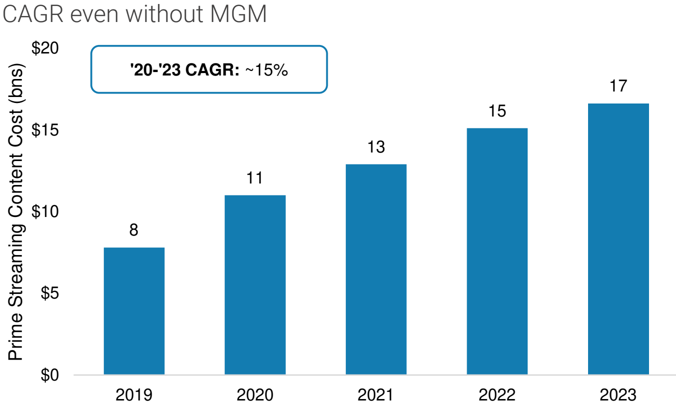
Apple TV+ emerging as a small but fast-growing content producer. Since its launch in November 2019, Apple TV+ (covered by Katy Huberty) has become an emerging force in the video content world, releasing more than 70 original movies and TV shows in the last 24 months, highlighted by the award-winning comedy show *Ted Lasso*, among others. But while original content only represents a small portion of Apple's overall device and services portfolio – we estimate TV+ will generate >$2bn of revenue in FY21, equal to ~3% of total Apple Services revenue, or 0.7% of total Apple revenue – it has become clear that Apple has ambitions to ramp its original content efforts, with a recent article from *The Information* indicating Apple will spend more than $500mm marketing TV+ this year, with plans to release new content every week starting in 2022. Unconfirmed reports also indicate Apple is spending more than $6bn on original content (vs. $1bn in 2017) to better compete with the likes of Netflix, Disney, Amazon, and others, although compared to Netflix's $17bn+ cash content spending, Apple still has plenty of room to scale. In addition to increasing its investment into original video content, Apple is also evaluating complementary TV+ offerings, such as the NFL Sunday Ticket package, with recent reports suggesting Apple is one of several companies looking into acquiring the rights to the program from DirecTV, who reportedly pays ~$1.5bn/year for Sunday Ticket. Apple has not confirmed any of these reports publicly, but with plans to expand the size of its campus in Los Angeles by nearly 4x, we believe it is highly likely that streaming TV and box office content is a key area of investment for Apple in the quest to grow TV+ subscribers beyond the <20mm base that it has acquired to date.

Still day 1 for Amazon streaming video: We expect Amazon's (covered by Brian Nowak) investment in streaming video (e.g., licensed, library, and in-house produced content) to continue to rise. After all, Amazon's May 26th ~$8.5bn announced acquisition of MGM (still pending approval) would represent its largest acquisition outside of Whole Foods Markets. This also follows the acquisition of Thursday Night NFL rights (see here), the reported $465mn cost of the first season of the *Lord of the Rings* episodic series, and the recent return of Jeff Blackburn (former 20+ year Amazon veteran) to run its global entertainment business, among other developments.

We see AMZN's video content investment growing at a ~15% CAGR (reaching ~$17bn) even without MGM: Even without MGM, we model AMZN's investment in content (most of which is video) to rise from roughly $11bn in 2020 to ~$17bn by '23. We think a successful acquisition of MGM is likely to drive this even higher. In our view, AMZN is increasing its investment in video because user engagement with Prime Instant Video has been an important driver of Prime subscriber growth, engagement, and retention. In addition, our recent survey work shows that **2020 was a strong year for Prime sub growth** (see Exhibit 39) **and incremental Prime video adoption** (see our 11th Annual Streaming Survey), **with notable growth from middle to lower income households as Prime extends it reach beyond $100k+ households.** In effect, we see AMZN's growing video offering and integration into the suite of Prime video offerings as a driver of Prime retention and (future expected) higher spend per household.

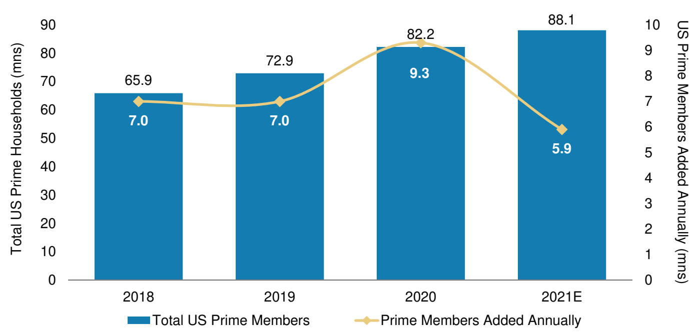
Leading content is 1 of 3 key pillars to enable connected TV advertising, which we believe AMZN wants to lead in: While still very small, we believe AMZN's video ad network (across IMDB, Amazon Fire, etc) is the fastest-growing part of AMZN's ~$20bn annual ad business. We think AMZN wants to build a large connected TV ad business as detailed in 3 Reasons An Amazon Branded TV Could Be a Needle Mover and 6 Key Debates Heading into '22. As also discussed, we think high-quality content, robust data sets, and targeted/scalable ad tech offerings will be important to driving CTV advertising adoption. AMZN has shopper and purchase data, as well as targeted performance-based ad units – and we expect the content investment to grow to build the third pillar.

Exhibit 38: AMZN's video content investment growing at ~15% CAGR even without MGM



Source: Company Data, Morgan Stanley Research

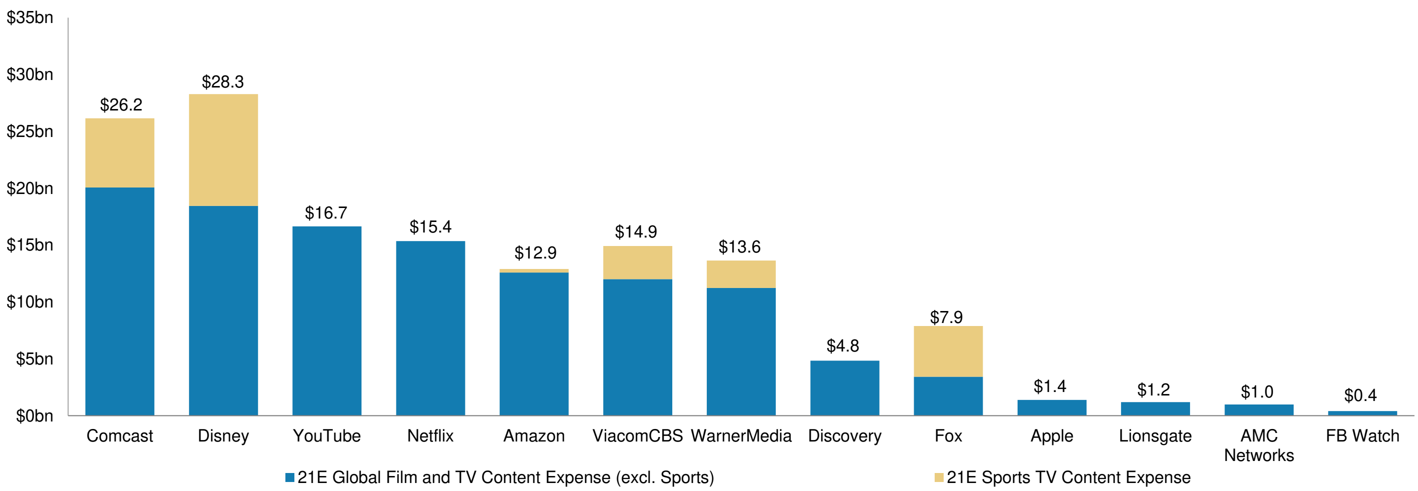
Exhibit 39: 2020 was a strong year for Prime sub growth and incremental Prime video adoption with notable growth from middle to lower income households as Prime extends it reach beyond $100k+ households.



Source: Company Data, Morgan Stanley Research

Netflix: As the global leader in streaming, Netflix has ramped its film output to a level where it previously announced plans to release at least one new original film every week in 2021 on its streaming service. With over 200mm paid global subscribers and over $12bn of total content amortization expense across film and TV in 2021 ($17bn+ on cash content spend), we believe Netflix continues to benefit from a global audience scale and growing content budget. Notably, Netflix has reached an inflection point where it is poised generate meaningful sustainable FCF, highlighting the benefits of its production scale and pricing power.

Exhibit 40: Global content spending is still on the rise across major media companies



Source: Company data, Morgan Stanley Research. Note: reflects content expense for aired content across networks, streaming, and film (excludes TV studio production)

Analysis of recent film release strategies

Are premium video-on-demand (P-VOD) and day-and-date release strategies cannibalizing box office receipts? We believe the answer is yes, although that does not suggest they have been the wrong distribution strategy for studios nor does it mean money was left on the table.

Most films that have been released in theatres with a streaming consumption alternative (e.g., Premier Access, HBO Max) have underperformed our initial pre-COVID box office expectations by a greater magnitude than those with exclusive theatrical releases (*Venom, Shang-Chi*). However, financially, the incremental value from Disney's Premier Access buys or HBO Max's accelerating subscription net adds likely led to accretive film economics from this approach.

Other considerations for box office underperformance relative to pre-COVID levels include **potential increased piracy** levels. Day-and-date release strategies could potentially make it easier to illegally film videos (from the comfort of their own homes and in higher quality) relative to previously having to bring a camera to the movie theatre.

Below we explore various major studios' film release strategies.

Disney: In recent months, Disney has released a number of films that were either 1) exclusive to the theatrical window (*Shang-Chi*, *Free Guy*), 2) exclusive to streaming (*Luca*, *Soul*), or 3) made available for purchase in a Premier Access window through Disney Plus for roughly $30, day-and-date with theatrical release.

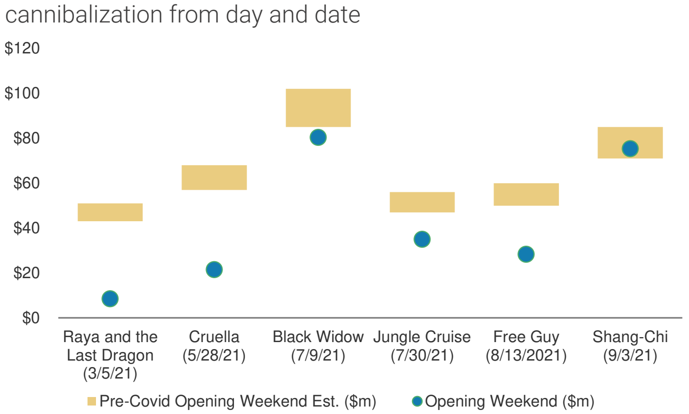
Both *Black Widow* and *Jungle Cruise* were released on Premier Access alongside their respective theatrical releases, and both underperformed our pre-COVID box office expectations by a greater magnitude than *Shang-Chi* (see Exhibit 43). However, if we incorporate incremental Premier Access revenues, *Black Widow* potentially generated greater revenues in aggregate, net of exhibitor splits and distribution fees.

Exhibit 41: Disney's Premier Access Day and Date Strategy

Disney Theatrical Releases	Strategy	Score	Opening Weekend DBO ($m)	Total DBO ($m)	% of Pre-Covid DBO MSe
Raya and the Last Dragon (3/5/21)	D+ PA Day & Date	97%	9	55	36%
Cruella (5/28/21)	D+ PA Day & Date	97%	21	86	43%
Black Widow (7/9/21)	D+ PA Day & Date	91%	80	184	61%
Jungle Cruise (7/30/21)	D+ PA Day & Date	92%	35	113	68%
Free Guy (8/13/2021)*	Theatrical Only	94%	28	109	62%
Shang-Chi (9/3/21)*	Theatrical Only	98%	75	223	89%

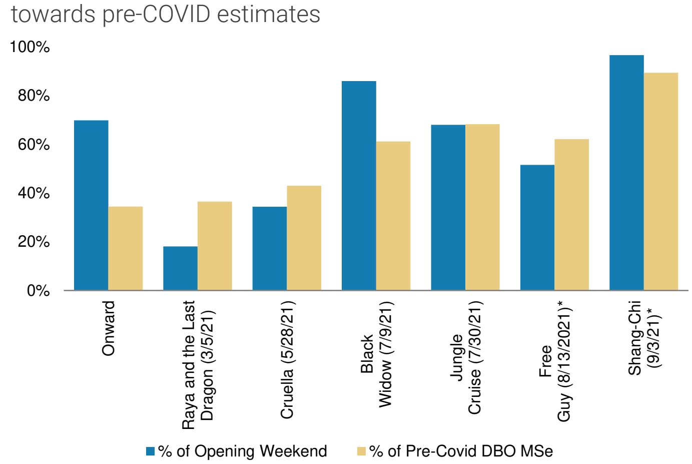
Source: Company data, Morgan Stanley Research, IMDBPro, Box Office Mojo

Exhibit 42: Most of Disney's Premier Access films have underperformed pre-COVID expectations, a mix of pandemic recovery and cannibalization from day and date



Source: Company data, Morgan Stanley Research, BoxOfficeMojo

Exhibit 43: Total box office expectations have been trending towards pre-COVID estimates



Source: Company data, Morgan Stanley Research; Note: * denotes exclusive theatrical release

Exhibit 44: On a purely theatrical basis, *Shang-Chi* outperformed *Black Widow* and *Jungle Cruise* relative to our initial box office expectations, but Premier Access led to greater aggregate net revenues for *Black Widow*

	PA Day & Date		Exclusive Theatrical
	Black Widow	Junge Cruise	Shang-Chi
Release Date	7/9/2021	7/30/2021	9/3/2021
Rotten Tomatoes Audience Score (%)	91%	92%	98%
Theatrical			
Domestic Opening Weekend	80	35	75
vs. expectations	94	52	78
% below	*-14%*	*-32%*	*-3%*
Domestic Box Office*	184	113	223
vs. pre-COVID MSe	300	165	250
% below	*-39%*	*-32%*	*-11%*
Exhibitor Split	(83)	(51)	(101)
Domestic Theatrical Net Revenues	**101**	**62**	**123**
International Box Office	195	94	190
vs. pre-COVID MSe	500	225	500
% below	*-61%*	*-58%*	*-62%*
Exhibitor Split	(107)	(52)	(104)
Int'l Theatrical Net Revenues	**88**	**42**	**85**
Total Theatrical Revenue	**379**	**207**	**413**
Total Theatrical Net Revenues	**189**	**104**	**208**
Premier Access			
(+) Disney Plus Premier Access - Domestic	85	49	
Distribution Fee (10%)	*(8)*	*(5)*	
Domestic Disney+ Net Revenues	**76**	**44**	
(+) Disney Plus Premier Access - Int'l	46	26	
Net of VAT (20%)	*36*	*21*	
Distribution Fee (10%)	*(4)*	*(2)*	
Int'l Disney+ Net Revenues	**33**	**19**	
Total Disney+ Gross Revenue	130	75	
Total Disney+ Net Revenues	**109**	**63**	
Total Film			
Total Theatrical + Disney Plus Gross Revenues	**509**	**282**	**413**
Total Theatrical + Disney Plus Net Revenues	**298**	**167**	**208**
Film Studio % take rate	*58%*	*59%*	*50%*

**Implied for Shang-Chi based on actuals*

Source: Company data, Morgan Stanley Research

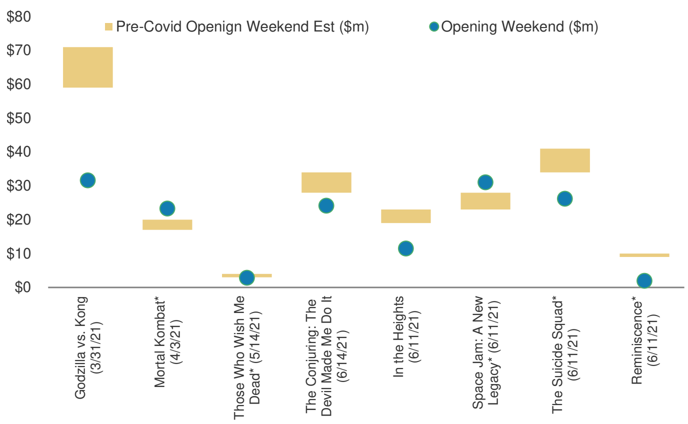
Warner Bros: In late 2020, Warner Media announced that its entire 2021 film slate would be also be released on HBO Max with no additional charge to paid subscribers, day-and-date with the films' theatrical releases. Theatrical box office performance has largely come in lower than our pre-COVID estimates across the Warner film slate this year, but we believe subscription net adds for HBO Max have benefited significantly from the day-and-date releases (see Exhibit 48). The decision to release 2022's film slate with an exclusive 45-day theatrical window likely shifts more value back to traditional monetization as box office attendance improves.

Exhibit 45: HBO Max's Day and Date Strategy

Warner Bros Theatrical Releases	Date	Strategy	RT Audience Score	Opening Wknd ning Weekend DBO (	Total DBO ($m)	% of Pre-COVID of Pre-Covid DBO M	Implied Pre-COVID Opening Wknd Est.	Pre-COVID DBO ($m, MSe)
Godzilla vs. Kong	3/31/2021	Day & Date	91%	32	101	48%	59 - 71	208
Mortal Kombat*	4/23/2021	Day & Date	86%	23	42	70%	17 - 20	60
Those Who Wish Me Dead*	5/14/2021	Day & Date	85%	3	7	62%	3 - 4	12
The Conjuring: The Devil Made Me Do It	6/4/2021	Day & Date	84%	24	66	66%	28 - 34	100
In the Heights	6/11/2021	Day & Date	94%	12	30	45%	19 - 23	67
Space Jam: A New Legacy*	7/16/2021	Day & Date	79%	31	70	86%	23 - 28	81
The Suicide Squad*	8/6/2021	Day & Date	82%	26	56	46%	34 - 41	121
Reminiscence*	8/20/2021	Day & Date	39%	2	4	13%	9 - 10	30

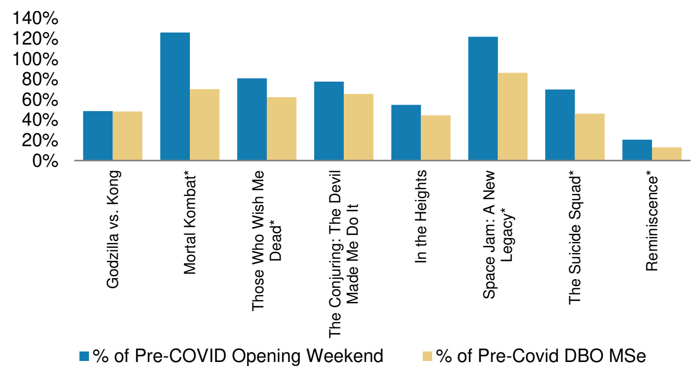
Source: Company data, Morgan Stanley Research, IMDBPro, Box Office Mojo

Exhibit 46: HBO's day and date strategy has resulted in softer opening weekends...



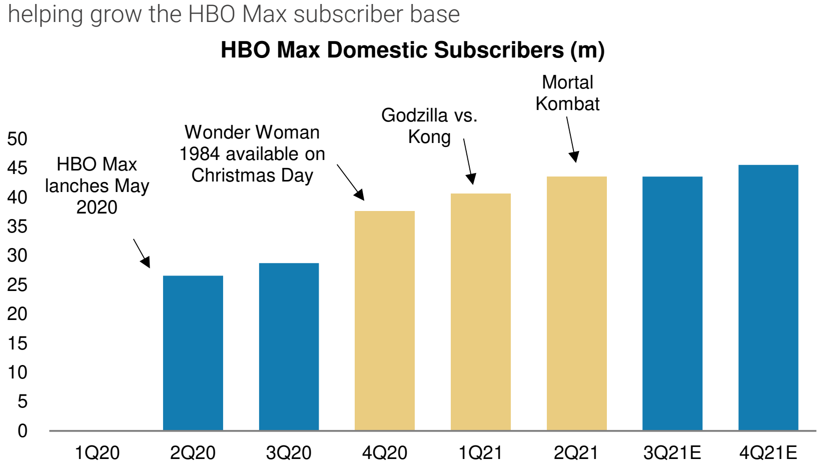
Source: Company data, Morgan Stanley Research, BoxOfficeMojo

Exhibit 47: ...and a lower level of total DBO realization



Source: Company data, Morgan Stanley Research, BoxOfficeMojo

Exhibit 48: We believe Warner Bros' film release strategy has been critical to helping grow the HBO Max subscriber base



Source: Company data, Morgan Stanley Research

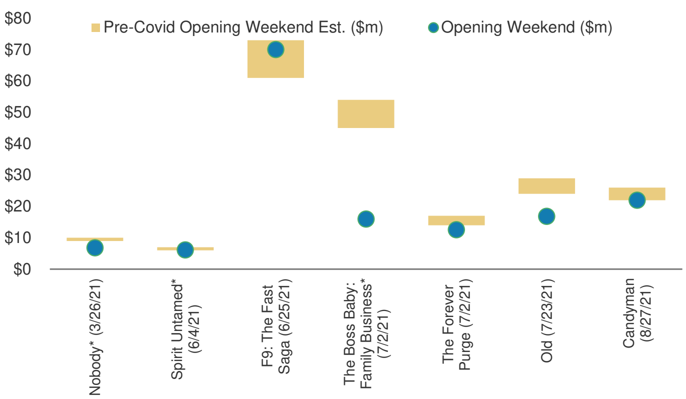
Universal Studios: Aside from the recent day-and-date release of *Boss Baby* on Peacock, Universal's titles have largely been released exclusively on theatrical (including *F9: The Fast Saga*). The relative success of *F9* and other recent blockbuster films that were released exclusively through the theatrical window (Sony's *Venom*, Disney's *Shang-Chi*) point to the potential underlying demand for the theatrical experience.

Exhibit 49: Universal has employed a mixed strategy related to its 2021 slate

Universal Theatrical Releases	Date	Strategy	RT Audience Score	Opening Wknd ning Weekend DBO (	Total DBO ($m)	% of Pre-COVID DBO MSe	Implied Pre-COVID Opening Wknd Est.	Pre-COVID DBO ($m, MSe)
Nobody*	3/26/2021	Theatrical	94%	7	27	91%	9 - 10	30
Spirit Untamed*	6/4/2021	Theatrical, then PVOD	95%	6	18	88%	6 - 7	20
F9: The Fast Saga	6/25/2021	Theatrical	82%	70	173	80%	61 - 73	215
The Boss Baby: Family Business*	7/2/2021	Day & Date	89%	16	57	36%	45 - 54	158
The Forever Purge	7/2/2021	Theatrical	78%	13	45	88%	14 - 17	51
Old	7/23/2021	Theatrical	53%	17	48	57%	24 - 29	85
Candyman	8/27/2021	Theatrical	73%	22	57	75%	22 - 26	76

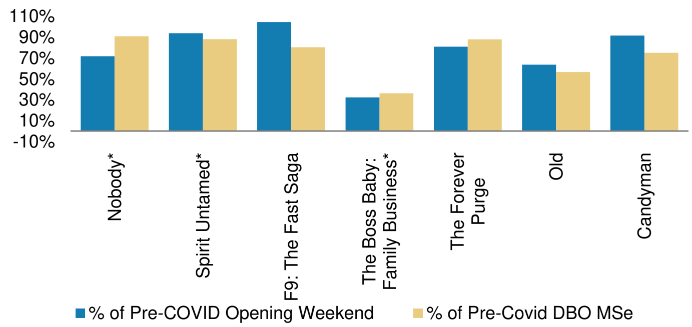
Source: Company data, Morgan Stanley Research, BoxOfficeMojo

Exhibit 50: Out of its 2021 slate, F9, one of Universal's largest franchises, indexed closest to our pre-COVID opening weekend estimates...



Source: Company data, Morgan Stanley Research, BoxOfficeMojo

Exhibit 51: ...and has averaged roughly 80% of our pre-COVID expected box office receipts



Source: Company data, Morgan Stanley Research, BoxOfficeMojo

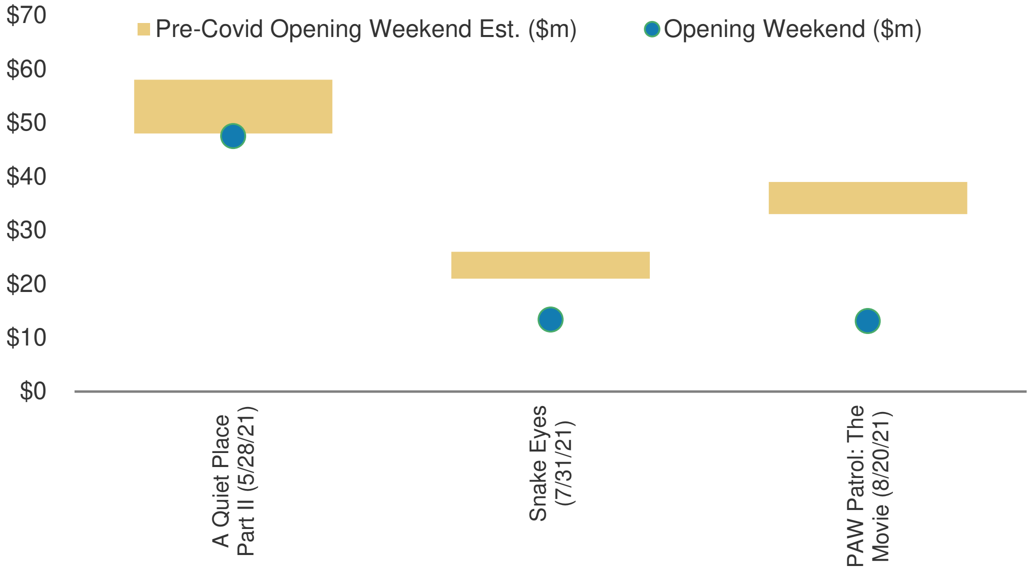
Paramount: Paramount has opted to delay many of its major tent-pole films (e.g., *Top Gun*, *Mission: Impossible*), scheduling new release dates for 2022. The recent day-and-date release strategy for *PAW Patrol: The Movie* supported the content pipeline for Paramount Plus, particularly during a period when family theatrical movie-going is still impaired due to COVID.

Exhibit 52: Paramount studios has released fewer films during the pandemic to date

Paramount Theatrical Releases	Date	Strategy	RT Audience Score	Opening Wknd ning Weekend DBO (	Total DBO ($m)	% of Pre-COVID DBO MSe	Implied Pre-COVID Opening Wknd Est.	Pre-COVID DBO ($m, MSe)
A Quiet Place Part II	5/28/2021	Theatrical, then EST	92%	48	160	94%	48 - 58	170
Snake Eyes	7/31/2021	Theatrical, then EST	75%	13	28	38%	21 - 26	75
PAW Patrol: The Movie	8/20/2021	Day & Date	97%	13	39	34%	33 - 39	115

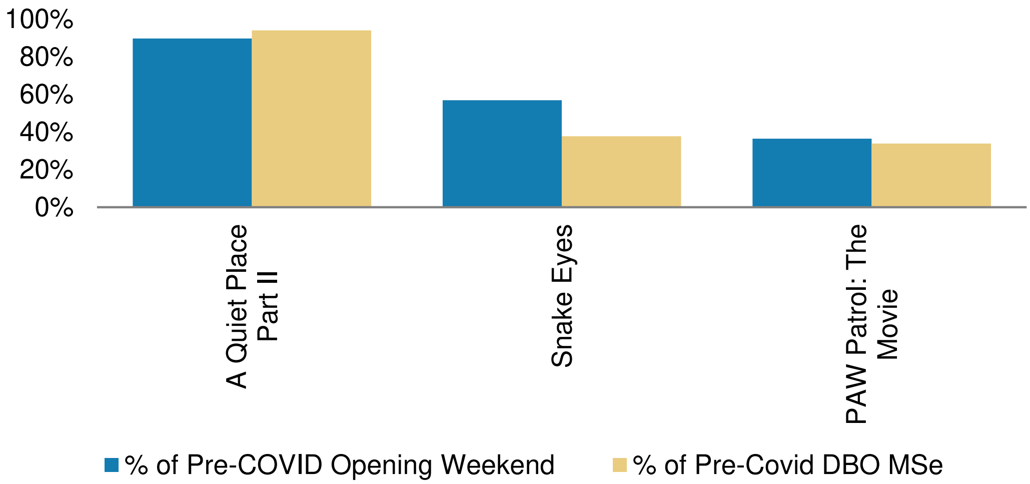
Source: Company data, Morgan Stanley Research

Exhibit 53: Franchise titles performed closest to original expectations this past summer



Source: Company data, Morgan Stanley Research

Exhibit 54: ...including for total box office revenues



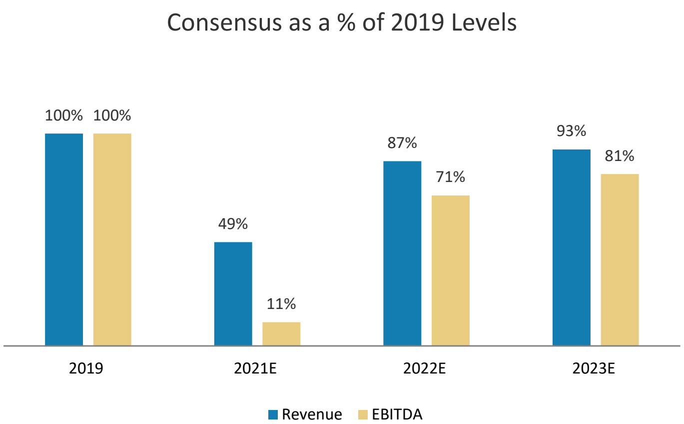
Source: Company data, Morgan Stanley Research

CNK- The Last Reopening Stock in Media?

Cinemark stands as the third-largest US exhibitor with a diversified portfolio of theaters in LatAm (#1 player in Brazil with ~30% market share). With liquidity concerns out of the way and bespoke post-COVID deals with each of the 5 major studios under its belt, CNK stands as one of the last reopening stock in our coverage group not reflecting a return to pre-pandemic earnings or valuation.

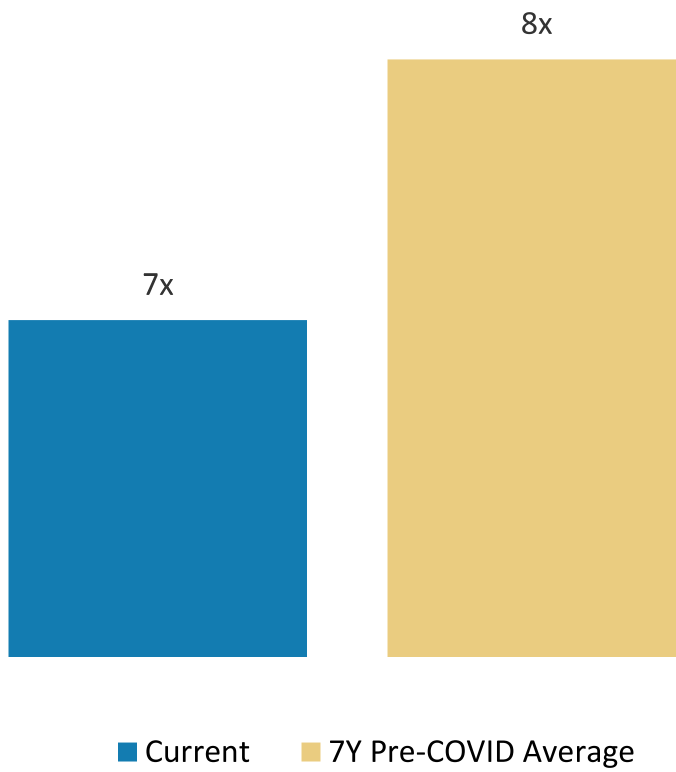
Specifically, consensus '22/'23 adjusted EBITDA is roughly 70/80% of prior peak levels, while the shares are trading at 7x times EV/'22E EBITDA vs. a historical range of 8x-9x times.

Exhibit 55: Consensus' estimates are higher in '23 vs '22, in our opinion, underestimating the strength of the '22 slate



Source: Company data, Morgan Stanley Research

Exhibit 56: CNK trades at around 1 turn below pre-Covid historical average



Source: Company data, Morgan Stanley Research. Thomson Reuters.

A robust '22 movie slate expected to boost the 2022 domestic box office to ~80% of 2019 levels stands as the main tailwind for the stock (see Exhibit 57 & Exhibit 61) – taking our '22 estimates 14-15% above consensus. However, risk remains as:

1. the movie business has structurally been changed by shortened theatrical exclusive windows,
2. the supply of films is less stable than pre-COVID, with studios focusing on their respective streaming services, and
3. to a lesser extent than peak pandemic, consumers may be wary to return to theaters, especially families with unvaccinated children, given more in-home entertainment options.

Exhibit 57: 2022 "super" slate driven by marquee franchises & sequels

Source: Company data, Morgan Stanley Research

Exhibit 58: Our updated US box office forecast

US Box Office	2019	2020	2021E	2022E	2023E	2024E	2025E
Revenue (mm)	$11,363	$2,094	$4,438	$9,186	$9,039	$9,173	$9,310
YoY Growth	(4.5%)	(81.6%)	111.9%	107.0%	(1.6%)	1.5%	1.5%
Average Ticket Price	$9.13	$8.26	$9.19	$9.52	$9.76	$9.96	$10.16
Ticket Price Increase	0.2%	(9.6%)	11.4%	3.6%	2.5%	2.0%	2.0%
Attendance	1,244	254	483	964	926	921	917
Attendance Growth	(4.6%)	(79.6%)	90.2%	99.8%	(4.0%)	(0.5%)	(0.5%)
Cinemark Market Share	**13%**	**14%**	**15%**	**15%**	**15%**	**15%**	**15%**

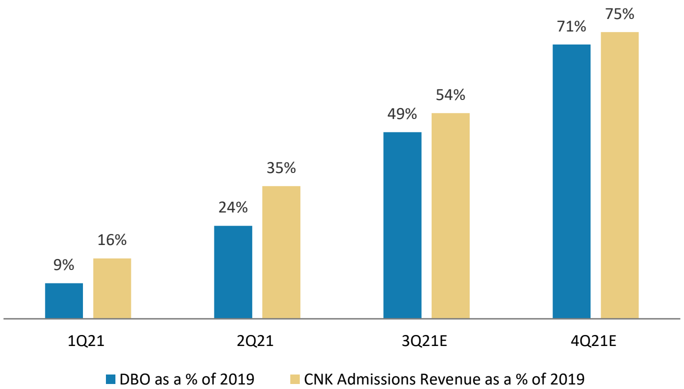
Source: Company data, Morgan Stanley Research, Box Office Mojo

What's changed?

3Q21 domestic box office came in ~12% below MSe, mostly due to release dates shifting to '22. With the 4Q21 slate now set, we lower our industry forecast by ~20% or ~70% of '19 levels (see Exhibit 59 & Exhibit 60). Several films slated for 4Q21, mostly family-friendly content and all of Paramount's tent-poles, were pushed to next year.

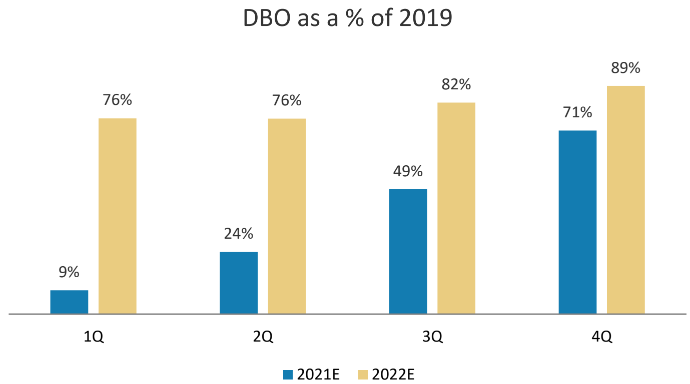
We also cut our FY22 domestic box office estimate by ~10% due to 1) lingering COVID concerns, and 2) an oversaturated "super" slate at greater risk of cannibalization. Lower industry estimates flow directly through our Cinemark attendance expectations (see Exhibit 61), although we expect CNK's attendance growth to overperform the industry in '22 as family-friendly films return to theaters and Delta-variant headwinds disperse (see Exhibit 62).

Exhibit 59: With Regal reopening in 2Q and Canada reopening in early 3Q, Cinemark NA Mkt Share normalizes in 2H21



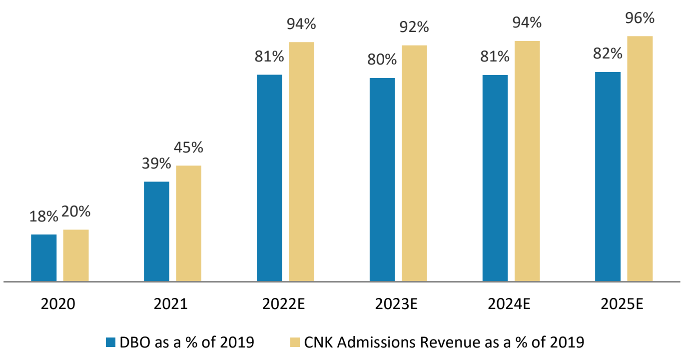
Source: Company data, Morgan Stanley Research

Exhibit 60: We expect the industry to converge towards '19 levels in 2H22 as Delta concerns fade and as children are vaccinated



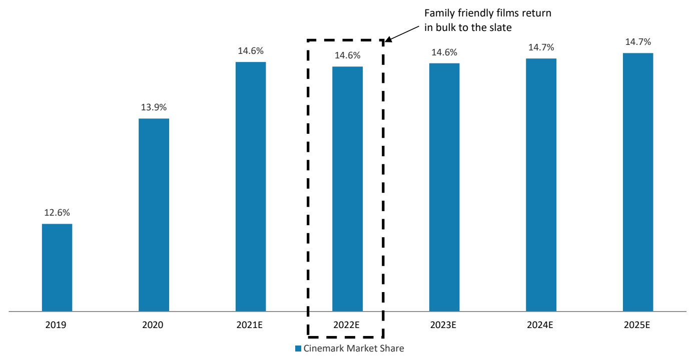
Source: Company data, Morgan Stanley Research

Exhibit 61: With historical ticket prices below the industry average, Cinemark has room to lever ticket price hikes



Source: Company data, Morgan Stanley Research

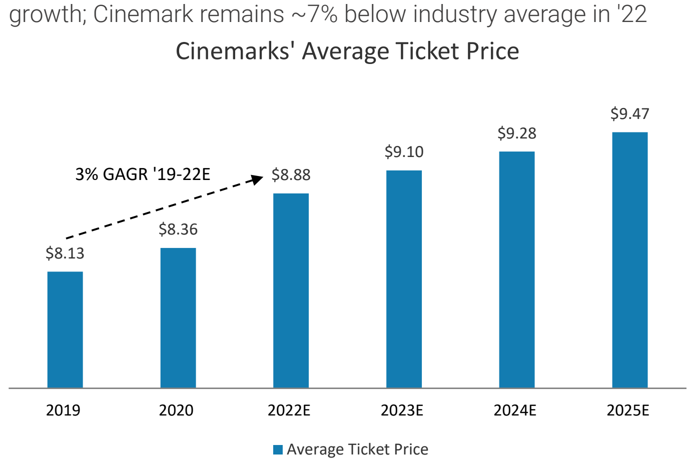
Exhibit 62: Family films tend to overperform with Cinemark's sub-urban demographic



Source: Company data, Morgan Stanley Research

Lower attendance expectations are offset by higher average ticket price expectations for Cinemark (3% '19-22E CAGR, see Exhibit 63) as 1) management flexes its below-industry average ticket price to boost top-line results, and 2) the current inflationary environment continues into '22. Our long-term estimates for CNK's average ticket price increase modestly as pricing power outweighs secular attendance erosion (by ~150bps).

Exhibit 63: Inflation accelerates secular average ticket price growth; Cinemark remains ~7% below industry average in '22



Source: Company data, Morgan Stanley Research

Opening weekend overperformance by both *Shang-Chi* (92% on Rotten Tomatoes) and *Venom 2* (59% on Rotten Tomatoes) makes us more confident regarding the consumer's willingness to return to theaters. On the other hand, ***No Time to Die*'s domestic opening weekend's underperformance (~14% below consensus) may reflect the risk that a return to pre-COVID levels for adult-skewing movies lags those that target young adults/teens.** The Bond series has historically been fueled in large part by moviegoers age 35 and older, a demo that's been more reluctant to return to theaters. *No Time to Die* had 57% of ticket buyers over the age of 35, including 36% over 45. Only 9% of ticket buyers for *Venom 2*'s opening weekend were 45 and older.

Higher conviction and higher long-term estimates lead to multiple expansion and a higher PT

With greater confidence on our increased estimates (see Exhibit 69), we raise our CNK PT to $24 or ~7.5x fwd. EBITDA. Our higher PT is supported by our increased long-term EBITDA and FCF estimates, and is in line with our DCF-driven SoTP. Our prior $20 PT implied a 6-7x multiple or 2x below the pre-COVID average. The lower multiple captured uncertainty around 1) the Delta variant, and 2) consumers' willingness to return to theaters. That uncertainty has mostly eroded after two back-to-back +$100m box office weekends. Similarly, we raise our CNK bull case PT to $40 and raise our bear case PT to $11 or ~8x and ~6x fwd. EBITDA respectively (see Exhibit 70).

4Q21 Expectations

4Q21 kicked-off with a pandemic-record $90mm *Venom: Let There Be Carnage* opening weekend. Seasonally, the December quarter has historically been a strong moviegoing month, second only to the June quarter.

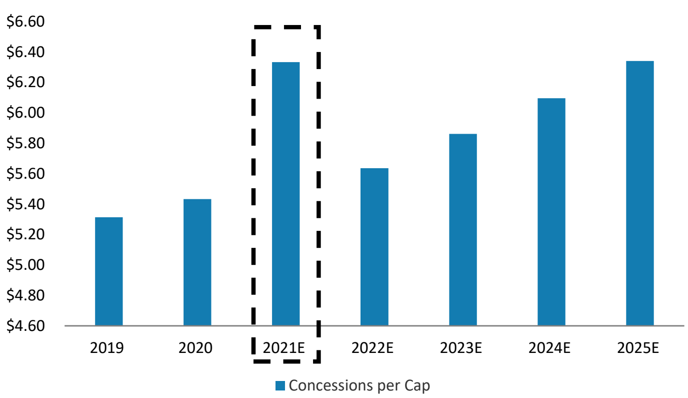
Exhibit 64: Superhero films set to be the top 3 performers of 4Q, mirroring pre-pandemic trends

4Q21E Top 10 Films	Quarter Contribution	Expected Total DBO	Studio	Release Date
Eternals	$274	$275	DIS	05-Nov-21
Spider-Man: No Way Home	$243	$300	Sony	17-Dec-21
Venom: Let There be Carnage	$195	$195	Sony	01-Oct-21
No Time to Die (007)	$156	$156	MGM	08-Oct-21
Ghostbusters Afterlife	$141	$141	Sony	19-Nov-21
Encanto	$106	$112	DIS	24-Nov-21
Dune	$103	$103	WarnerBros	22-Oct-21
The Matrix Resurrections	$81	$127	WarnerBros	22-Dec-21
West Side Story	$74	$80	DIS	10-Dec-21
Halloween Kills	$69	$69	Universal	15-Oct-21
Top 10 Total	**$1,442**	**$1,558**		
Top 10 as % of Total DBO	70%			
Total 4Q21E DBO	$2,061			

Source: Company data, Morgan Stanley Research

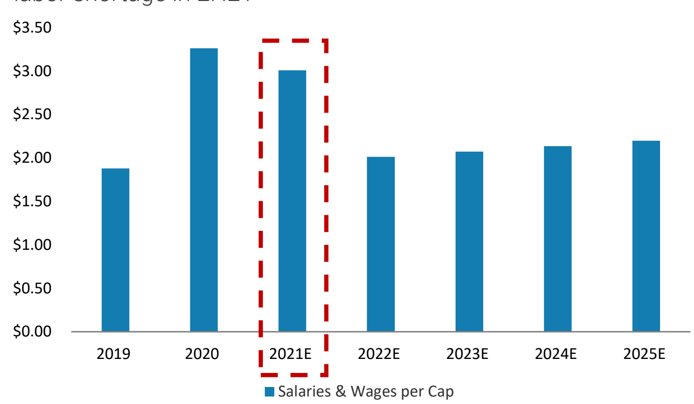
We expect concession spending per patron of ~$6.3 (~20% above 2019 levels) for 2H21 as consumers return to theaters for the first time in 15-21 months. Post-COVID, food & bev spending per patron should normalize, however, we still expect ~2% CAGR (19-22E) due to inflationary tailwinds (see Exhibit 65), On the other hand, as theaters operate longer hours, we expect inflationary headwinds as Cinemark is forced to pay a premium for extra labor (see Exhibit 66).

Exhibit 65: As theaters reopen, F&B per cap reaches record highs



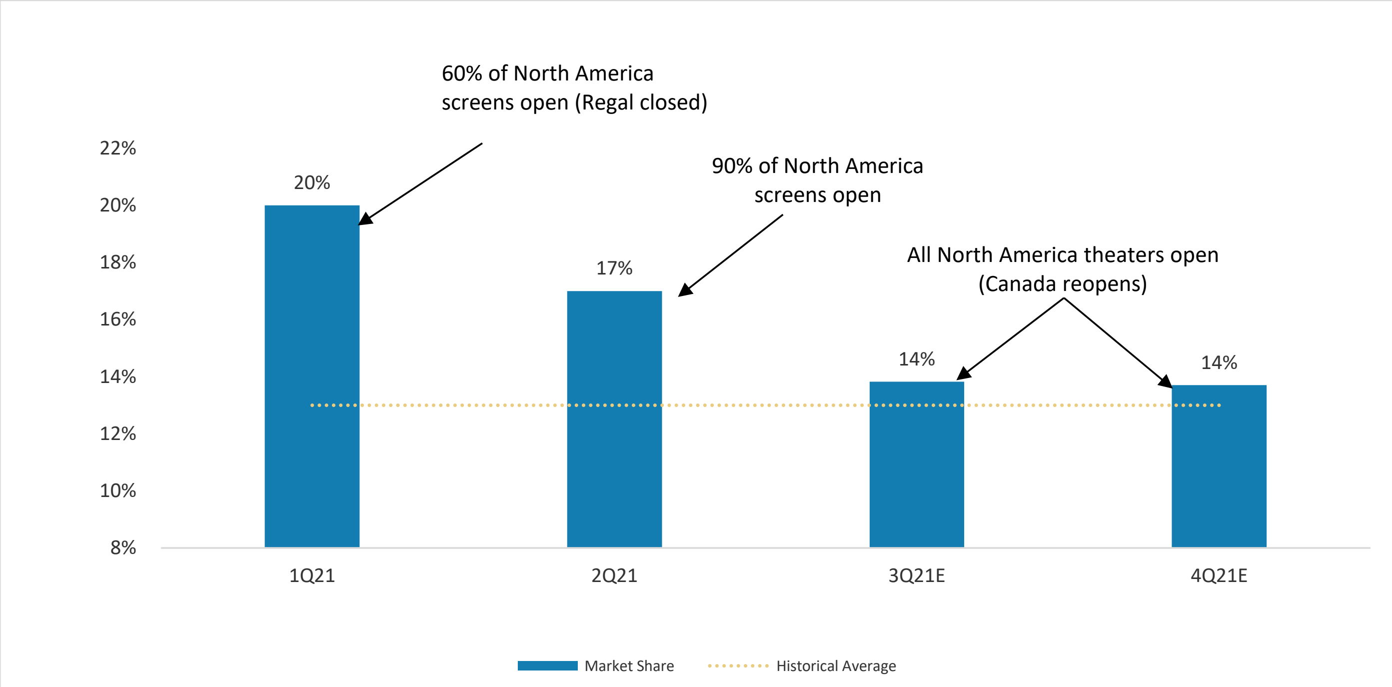
Source: Company data, Morgan Stanley Research

Exhibit 66: Cinemark begins to feel the pressures of the national labor shortage in 2H21



Source: Company data, Morgan Stanley Research

Exhibit 67: Cinemark is expected to retain 14% market share in 4Q21 as all North America theaters remain open



Source: Company data, Morgan Stanley Research

Exhibit 68: Our updated US box office forecast - Quarters

US Box Office	1Q21	2Q21	3Q21	4Q21E	1Q22E	2Q22E	3Q22E	4Q22E
Revenue (mm)	$222	$788	$1,366	$2,061	$1,828	$2,480	$2,314	$2,564
YoY Growth	(87.6%)	16417.2%	1067.2%	1023.3%	721.7%	214.7%	69.4%	24.4%
Average Ticket Price	$9.84	$9.26	$9.01	$9.23	$9.37	$9.63	$9.29	$9.75
Ticket Price Increase	19.2%	0.0%	16.7%	7.0%	(4.7%)	4.0%	3.1%	5.7%
Attendance	23	85	152	223	195	257	249	263
Attendance Growth	(89.6%)	16415.2%	900.4%	949.8%	762.2%	202.6%	64.4%	17.7%

Source: Company data, Morgan Stanley Research

Cinemark Exhibits

Exhibit 69: Cinemark Prior vs Current Expectations

Cinemark	3Q21e	3Q21e		2021e	2021e		2022e	2022e		2023e	2023e	
	3Q21E			2021E			2022E			2023E		
$'s in millions	Previous Forecast	Current Forecast	Change	Previous Forecast	Current Forecast	Change	Previous Forecast	Current Forecast	Change	Previous Forecast	Current Forecast	Change
DOMESTIC OPERATIONS												
Organic Screen Builds	28	28	0	42	42	0	20	20	0	24	24	0
Screens at Period End	4,444	4,444	0	4,449	4,449	0	4,460	4,460	0	4,475	4,475	0
Domestic Attendance (in thousand:	**20,739**	**20,581**	(158.4)	**78,382**	**70,775**	(7,606.9)	**155,219**	**150,747**	(4,471.0)	**147,888**	**145,140**	(2,748.0)
Annualized Attendance per Screen	**18,705**	**18,562**	(142.9)	**17,630**	**15,919**	(1,711.0)	**34,845**	**33,842**	(1,003.7)	**33,103**	**32,488**	(615.1)
Reported % Growth	*1020.0%*	*1011.4%*		*130.7%*	*108.3%*		*97.7%*	*112.6%*		*-5.0%*	*-4.0%*	
Average Revenue per Screen	$48,394	$42,385	(6,008.8)	$167,659	$146,043	(21,616.2)	$288,300	$300,536	12,236.0	$280,732	$295,727	14,995.3
Average Ticket Price	$10.35	$9.13	($1.22)	$9.51	$9.17	($0.34)	$8.27	$8.88	$0.61	$8.48	$9.10	$0.62
% Growth	*32.0%*	*16.5%*		*13.8%*	*9.8%*		*-13.0%*	*-3.2%*		*2.5%*	*2.5%*	
Average Concessions Per Patron	$6.60	$6.60	$0.00	$6.30	$6.33	$0.03	$5.64	$5.64	($0.01)	$5.87	$5.86	($0.01)
% Growth	*40.5%*	*40.5%*		*16.0%*	*16.6%*		*-10.5%*	*-11.0%*		*4.0%*	*4.0%*	
Total Domestic Revenue	**$382.2**	**$354.3**	**(27.9)**	**$1,347.6**	**$1,198.8**	**(148.7)**	**$2,326.2**	**$2,350.3**	**24.1**	**$2,298.0**	**$2,345.2**	**47.2**
% Growth	1010.7%	929.5%		142.0%	115.3%		72.6%	96.0%		(1.2%)	(0.2%)	
Salaries and wages/patron	$2.11	$3.37	(1.26)	$2.24	$3.01	(0.77)	$2.01	$2.01	(0.00)	$2.07	$2.07	(0.00)
Film Rental (% of admissions rev)	56.0%	56.0%		53.7%	53.4%		55.5%	55.5%		55.7%	55.7%	
Concession Opex (% of concess. rev)	16.0%	16.5%		16.3%	16.6%		16.0%	17.0%		16.0%	17.0%	
Other opex (% of total rev)	*51.3%*	*63.3%*		*56.3%*	*66.8%*		*43.3%*	*42.7%*		*44.2%*	*43.3%*	
Domestic Adj. EBITDA - CNK define	**53.3**	**11.6**	(41.68)	**137.5**	**6.4**	(131.2)	**505.5**	**498.9**	(6.6)	**484.7**	**489.3**	4.6
margin	13.9%	3.3%	-10.7%	10.2%	0.5%	-9.7%	21.7%	21.2%	-0.5%	21.1%	20.9%	-0.2%
INTERNATIONAL OPERATIONS												
Organic Screen Builds	10	10	0	36	36	0	12	12	0	15	15	0
Screens at Period End	1,434	1,434	0	1,440	1,440	0	1,426	1,426	0	1,415	1,415	0
International Attendance (in thousa	**8,735**	**8,735**	0.0	**24,767**	**24,767**	0.0	**89,561**	**89,561**	0.0	**85,229**	**85,229**	0.0
Annualized Attendance per Screen	**24,332**	**24,332**	0.0	**17,219**	**17,219**	0.0	**62,499**	**62,499**	0.0	**59,999**	**59,999**	0.0
Reported % Growth	*52000.0%*	*52000.0%*		*30.4%*	*30.4%*		*263.0%*	*263.0%*		*-4.0%*	*-4.0%*	
Organic % Growth	*52000.0%*	*52000.0%*		*30.4%*	*30.4%*		*263.0%*	*263.0%*		*-4.0%*	*-4.0%*	
vs. Domestic	*50980.0%*	*50988.6%*		*-100.3%*	*-77.9%*		*165.3%*	*150.4%*		*1.0%*	*0.0%*	
Average Revenue per Screen	$21,088	$21,088	0.0	$61,657.33	$61,657.33	0.0	$236,682.94	$236,682.94	0.0	$240,603.64	$240,603.64	0.0
Average Ticket Price	$3.46	$3.46	$0.00	$3.58	$3.58	$0.00	$3.77	$3.77	$0.00	$3.99	$3.99	$0.00
% Growth	*-45.0%*	*-45.0%*		*7.2%*	*7.2%*		*5.1%*	*5.1%*		*6.0%*	*6.0%*	
Local % Growth	*-44.0%*	*-41.4%*		*-21.4%*	*-19.4%*		*4.6%*	*8.1%*		*6.0%*	*6.0%*	
Average Concessions Per Patron	$2.50	$2.50	$0.00	$2.67	$2.67	$0.00	$2.59	$2.59	$0.00	$2.64	$2.64	$0.00
% Growth	*-83.3%*	*-83.3%*		*24.9%*	*24.9%*		*-3.0%*	*-3.0%*		*2.0%*	*2.0%*	
Local % Growth	*-82.3%*	*-79.7%*		*-29.5%*	*-27.5%*		*-3.5%*	*0.0%*		*2.0%*	*2.0%*	
Foreign Exchange	**-1.0%**	**-3.6%**	-2.6%	**-4.6%**	**-6.6%**	-2.0%	**0.5%**	**-3.0%**	-3.5%	**0.0%**	**0.0%**	0.0%
International Revenue	**$60.7**	**$60.7**	0.0	**$179.7**	**$179.7**	0.0	**$650.0**	**$650.0**	0.0	**$649.9**	**$649.9**	0.0
% Growth	5577.5%	5577.5%		38.8%	38.8%		261.8%	261.8%		(0.0%)	(0.0%)	
Film Rental (% of admissions rev)	51.9%	52.4%		51.6%	51.8%		51.4%	51.4%		51.6%	51.6%	
Concession Opex (% of concess. rev)	26.0%	27.0%		*26.4%*	*27.0%*		*20.0%*	*20.0%*		*20.0%*	*20.0%*	
Other opex (% of total rev)	*61.6%*	*67.6%*		*76.5%*	*80.7%*		*44.8%*	*44.8%*		*45.4%*	*45.4%*	
International Adj. EBITDA - CNK De	**1.9**	**(2.1)**	(4.01)	**(21.2)**	**(29.1)**	(8.0)	**138.8**	**138.7**	(0.1)	**134.1**	**134.1**	(0.1)
margin	3.2%	-3.5%		-11.8%	-16.2%		21.4%	21.3%		20.6%	20.6%	
CONSOLIDATED RESULTS												
Total Revenue	**$442.9**	**$414.9**	$ (27.9)	**$1,527.2**	**$1,378.5**	$ (148.7)	**$2,976.2**	**$3,000.3**	$ 24.1	**$2,947.9**	**$2,995.0**	$ 47.2
Growth	1148.3%	1069.6%	-78.7%	127.3%	105.2%	-22.1%	94.9%	117.6%	22.8%	-1.0%	-0.2%	0.8%
Total Direct Expenses	**$358.7**	**$373.7**	$ 15.0	**$1,290.1**	**$1,275.5**	$ (14.6)	**$2,211.7**	**$2,237.4**	$ 25.7	**$2,204.3**	**$2,241.8**	$ 37.5
Gross Profit	**$84.1**	**$41.2**	$ (42.9)	**$237.1**	**$103.0**	$ (134.1)	**$764.6**	**$762.9**	$ (1.7)	**$743.6**	**$753.2**	$ 9.6
Growth	-179.4%	-138.9%	40.5%	-208.8%	-147.3%	61.5%	222.4%	640.3%	417.9%	-2.7%	-1.3%	1.5%
Gross Margin	19.0%	9.9%	-9.1%	15.5%	7.5%	-8.1%	25.7%	25.4%	-0.3%	25.2%	25.1%	-0.1%
G&A	**$38.3**	**$41.1**	$ 2.8	**$150.2**	**$155.2**	$ 5.0	**$159.2**	**$164.1**	$ 4.9	**$163.6**	**$168.7**	$ 5.1
EBITDA	**$45.8**	**$0.2**	$ (45.7)	**$87.0**	**($52.1)**	$ (139.1)	**$605.4**	**$598.8**	$ (6.6)	**$580.0**	**$584.5**	$ 4.6
Growth	-133.6%	-100.1%	33.5%	-125.2%	-84.9%	40.3%	596.1%	-1248.3%	-1844.3%	-4.2%	-2.4%	1.8%
EBITDA Margin	10.4%	0.0%	-10.3%	5.7%	-3.8%	-9.5%	20.3%	20.0%	-0.4%	19.7%	19.5%	-0.2%
Stock Based Compensation	$5.9	$5.9	-	$23.0	$23.0	-	$23.6	$23.6	-	$24.1	$24.1	-
Earnings Recognized from NCMI	2.5	2.5	-	5.1	5.1	-	4.9	4.9	-	4.7	4.7	-
Add'tl Cash Distributions from NCMI	1.3	1.3	-	2.7	2.7	-	11.8	11.8	-	11.4	11.4	-
Adjusted EBITDA - CNK Defined	**$55.2**	**$9.5**	**($45.7)**	**$116.4**	**($22.7)**	**($139.1)**	**$644.3**	**$637.6**	**($6.6)**	**$618.9**	**$623.4**	**$4.6**
Adj. EBITDA margin	12.5%	2.3%		7.6%	-1.7%		21.6%	21.3%		21.0%	20.8%	
Depreciation & Amortization	61.4	61.4	-	259.0	259.0	-	258.0	258.0	-	260.8	260.8	-
EBIT	(15.6)	(61.3)	$ (45.7)	(177.9)	(317.0)	$ (139.1)	341.5	334.9	$ (6.6)	313.3	317.9	$ 4.6
EBIT Margin	-3.5%	-14.8%	-11.2%	-11.7%	-23.0%	-11.3%	11.5%	11.2%	-0.3%	10.6%	10.6%	0.0%
Total Debt				3,165.2	3,165.2	-	3,165.2	3,165.2	-	2,410.2	2,410.2	-
Cash				1,428.3	1,320.3	(108.0)	1,675.8	1,650.3	(25.6)	1,016.1	995.6	(20.5)
Net Debt				1,736.9	1,845.0	108.0	1,489.4	1,515.0	25.6	1,394.1	1,414.6	20.5
Net Leverage				**14.9x**	**-81.1x**		**2.3x**	**2.4x**		**2.3x**	**2.3x**	
Net Interest Expense	31.9	31.9	$ -	133.0	133.0	$ -	165.4	165.9	$ 0.6	148.7	148.9	$ 0.2
Adjusted Diluted EPS	**($0.54)**	**($0.83)**	**(0.29)**	**($3.22)**	**($4.11)**	**(0.90)**	**$0.77**	**$0.71**	**(0.06)**	**$0.74**	**$0.76**	**0.02**
Annual Dividend				$0.00	$0.00	$0.00	$0.72	$0.00	($0.72)	$0.79	$0.79	$0.00
Free Cash Flow				($202.9)	($310.5)	$ (107.6)	$301.6	$297.6	$ (3.9)	$157.4	$160.8	$ 3.4
Free Cash Flow per Share				($1.73)	($2.65)	$ (0.92)	$2.49	$2.46	$ (0.03)	$1.30	$1.33	$ 0.03
Dividends/ Share				$0.00	$0.00	$ -	$0.72	$0.00	$ (0.72)	$0.79	$0.79	$ -
Domestic Revs Breakdown		3Q21E			2021E			2022E			2023E	
Admissions Revs	$214.6	$188.0	**(26.65)**	$745.4	$649.3	**($96.1)**	$1,284.2	$1,338.7	**$54.5**	$1,254.2	$1,321.2	**$67.0**
Concessions Revs	$136.8	$135.8	**(1.05)**	$494.2	$448.2	**($45.9)**	$875.8	$849.7	**($26.1)**	$867.8	$850.8	**($17.0)**
Other	$30.7	$30.5	**(0.23)**	$108.0	$101.3	**($6.7)**	$166.2	$161.8	**($4.4)**	$176.0	$173.2	**($2.8)**
Total Theater Rev	**$382.2**	**$354.3**	**(27.93)**	**$1,347.6**	**$1,198.8**	**(148.70)**	**$2,326.2**	**$2,350.3**	**24.05**	**$2,298.0**	**$2,345.2**	**47.18**
Domestic Expenses Breakdown		3Q21E			2021E			2022E			2023E	
Film Rentals and Advertising	$120.3	$105.3	**(14.93)**	$400.1	$346.5	**(53.60)**	$712.7	$743.0	**30.25**	$698.2	$735.4	**37.29**
Concession Supplies	$21.9	$22.4	**0.51**	$80.6	$74.3	**(6.35)**	$140.1	$144.5	**4.32**	$138.9	$144.6	**5.79**
Salaries and Wages	$43.7	$69.4	**25.68**	$175.2	$212.9	**37.67**	$312.3	$303.3	**(8.93)**	$306.4	$300.8	**(5.63)**
Facility Lease Expense	$60.6	$60.6	**-**	$240.6	$240.6	**-**	$260.4	$260.4	**-**	$263.7	$263.7	**-**
Utilities and Other	$62.7	$62.7	**-**	$222.6	$222.6	**-**	$307.8	$307.8	**-**	$314.8	$314.8	**-**
Total Cost of Goods Sold	**$309.1**	**$320.3**	**11.26**	**$1,119.1**	**$1,096.8**	**(22.28)**	**$1,733.3**	**$1,758.9**	**25.65**	**$1,722.0**	**$1,759.5**	**37.45**
G&A	$29.2	$31.7	**2.49**	$120.3	$125.0	**4.74**	$126.3	$131.3	**4.97**	$130.1	$135.2	**5.12**
International Revs Breakdown		3Q21E			2021E			2022E			2023E	
Admissions	$30.2	$30.2	**-**	$88.8	$88.8	**-**	$337.5	$337.5	**-**	$340.5	$340.5	**-**
Concessions	$21.8	$21.8	**-**	$66.2	$66.2	**-**	$232.1	$232.1	**-**	$225.3	$225.3	**-**
Other	$8.6	$8.6	**-**	$24.7	$24.7	**-**	$80.4	$80.4	**-**	$84.1	$84.1	**-**
Total Theater Rev	**$60.7**	**$60.7**	**-**	**$179.7**	**$179.7**	**-**	**$650.0**	**$650.0**	**-**	**$649.9**	**$649.9**	**-**
International Expenses Breakdown		3Q21E			2021E			2022E			2023E	
Film Rentals and Advertising	$15.7	$15.8	**0.15**	$45.8	$46.0	**0.15**	$173.4	$173.5	**0.08**	$175.8	$175.8	**0.09**
Concession Supplies	$5.7	$5.9	**0.22**	$17.5	$17.8	**0.36**	$46.4	$46.4	**-**	$45.1	$45.1	**-**
Salaries and Wages	$8.3	$8.3	**-**	$33.0	$33.0	**-**	$79.3	$79.3	**-**	$80.6	$80.6	**-**
Facility Lease Expense	$9.7	$9.7	**-**	$34.6	$34.6	**-**	$89.7	$89.7	**-**	$88.6	$88.6	**-**
Utilities and Other	$10.3	$13.7	**3.34**	$39.9	$47.1	**7.16**	$89.5	$89.5	**(0.00)**	$92.3	$92.3	**(0.00)**
Total Cost of Goods Sold	**$49.7**	**$53.4**	**3.71**	**$170.9**	**$178.6**	**7.66**	**$478.4**	**$478.5**	**0.08**	**$482.2**	**$482.3**	**0.08**
G&A	$9.1	$9.4	**0.30**	$29.9	$30.2	**0.30**	$32.8	$32.8	**(0.03)**	$33.5	$33.5	**(0.03)**

Source: Company data, Morgan Stanley Research

Exhibit 70: Cinemark Bull, Bear, Base Analysis

CNK Scenarios

	Base Case			Bear Case			Bull Case		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
EPS	**(4.11)**	**0.71**	**0.76**	**(4.29)**	**(0.19)**	**0.47**	**(3.92)**	**1.78**	**1.98**
% growth	-10%	-117%	6%	-6%	-95%	-343%	-14%	-145%	11%
Revenue	**1,379**	**3,000**	**2,995**	**1,309**	**2,379**	**2,809**	**1,447**	**3,450**	**3,452**
% growth	105%	118%	0%	95%	82%	18%	115%	138%	0%
EBITDA	**(52)**	**599**	**585**	**(80)**	**460**	**542**	**(22)**	**763**	**771**
% growth	-85%	-1248%	-2%	-77%	-676%	18%	-94%	-3502%	1%
Adjusted EBITDA - CNK Defined	**(23)**	**638**	**623**	**(50)**	**499**	**581**	**7**	**802**	**810**
% Margin	-1.7%	21.3%	20.8%	-3.8%	21.0%	20.7%	0.5%	23.2%	23.5%
% growth	-92%	-2903%	-2%	-83%	-1090%	16%	-102%	11401%	1%
Domestic Adjusted EBITDA - CNK Def	**6**	**499**	**489**	**(19)**	**397**	**457**	**36**	**631**	**638**
% Margin	0.5%	21.2%	20.9%	-1.7%	21.0%	20.8%	2.9%	23.4%	23.7%
% growth	-103%	7728%	-2%	-92%	-2146%	15%	-115%	1659%	1%
Int'l Adjusted EBITDA - CNK Defined	**(29)**	**139**	**134**	**(31)**	**102**	**124**	**(29)**	**170**	**172**
% Margin	-16.2%	21.3%	20.6%	-18.0%	20.9%	20.3%	-15.1%	22.5%	22.7%
% growth	-48%	-576%	-3%	-44%	-429%	22%	-48%	-689%	1%
EBIT	**(317)**	**335**	**318**	**(345)**	**196**	**275**	**(287)**	**499**	**504**
% growth	-46%	-206%	-5%	-42%	-157%	41%	-51%	-274%	1%
Attendance Trends									
Domestic Attendance per screen	15,919	33,842	32,488	15,200	27,762	31,093	16,637	38,691	37,143
% Growth	108.3%	112.6%	-4.0%	98.9%	82.6%	12.0%	117.7%	132.6%	-4.0%
International Attendance per screen	17,219	62,499	59,999	16,658	47,322	57,260	18,060	71,726	68,857
% Growth	30.4%	263.0%	-4.0%	26.1%	184.1%	21.0%	36.8%	297.2%	-4.0%
Pricing Trends									
Domestic Average Ticket Price	9.17	8.88	9.10	9.12	8.75	8.93	9.17	8.88	9.14
% Growth	9.8%	-3.2%	2.5%	9.1%	-4.0%	2.0%	9.8%	-3.2%	3.0%
Domestic Concessions per Attendee	6.33	5.64	5.86	6.25	5.46	5.67	6.40	5.69	5.92
% Growth	16.6%	-11.0%	4.0%	15.0%	-12.7%	4.0%	17.8%	-11.0%	4.0%
Domestic Admissions Revenue	649	1,339	1,321	616	1,083	1,240	678	1,530	1,517
% Growth	122.7%	106.2%	-1.3%	111.3%	75.7%	14.6%	132.6%	125.5%	-0.8%
Int'l Average Ticket Price	3.58	3.77	3.99	3.54	3.72	3.94	3.64	3.83	4.06
% Growth	7.2%	5.1%	6.0%	5.7%	5.1%	6.0%	8.9%	5.2%	6.1%
Int'l Concessions per Attendee	2.67	2.59	2.64	2.66	2.56	2.61	2.71	2.63	2.68
% Growth	24.9%	-3.0%	2.0%	24.2%	-3.5%	1.7%	26.8%	-3.0%	2.0%
Int'l Admissions Revenue	89	338	340	85	252	320	95	394	397
% Growth	36.8%	280.1%	0.9%	30.6%	197.4%	27.1%	45.8%	316.1%	0.9%
CFFO	(4)	541	420	(32)	365	438	25	706	563
Capex	100	215	230	100	215	229	100	215	229
% Growth	18.6%	116.0%	6.9%	18.6%	116.0%	6.7%	18.6%	115.6%	6.9%
FCF	(103.38)	326.50	189.67	(131.67)	150.11	208.21	(74.19)	491.80	333.40
Recurring Dividend per share	0.00	0.00	0.79	0.00	0.00	0.00	0.00	0.00	0.79
Payout Ratio (% of FCF)	0%	0%	58%	0%	0%	0%	0%	0%	30%
Net Debt / adj. EBITDA	-86.6x	2.6x	2.5x	-39.7x	3.7x	2.8x	278.3x	1.8x	1.5x
Net Debt / US adj. EBITDA	309.0x	3.3x	3.1x	-103.0x	4.6x	3.6x	54.0x	2.3x	1.9x
Gross Debt / EBITDA	-60.7x	5.3x	4.1x	-39.7x	6.9x	4.4x	-141.1x	4.1x	3.1x
FCF	(311)	298	161	(339)	119	178	(281)	466	308
FCF per Share	(2.65)	2.46	1.33	(2.89)	1.02	1.47	(2.40)	3.85	2.55
Current Dividend Yield	0.0%	0.0%	3.9%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%
Target Dividend Yield	1.5%	0.0%	0.0%	3.3%	0.0%	0.0%	0.9%	0.0%	0.0%
Current Price	**$20.2**			**$20.2**			**$20.2**		
Current fwd. P/E	27.6x			-30.7x			10.8x		
Current EV/fwd. EBITDA	6.8x			8.3x			5.2x		
Adj. P / fwd. FCF	10.2x			14.9x			5.7x		
Dividend Yield	0.0%			0.0%			0.0%		
Scenario Price (Mid-yr '22)	**$24.0**			**$11.0**			**$40.0**		
Implied fwd. P/E	32.7x			-16.7x			21.3x		
Implied EV/fwd. EBITDA	7.6x			6.1x			8.3x		
Implied adj. P / fwd. FCF	12.4x			7.1x			12.2x		
Implied Dividend Yield	0.0%			0.0%			0.0%		
FMV	**$21.7**	**$25.2**		**$13.8**	**$16.0**		**$35.9**	**$40.9**	
Implied EV/fwd. EBITDA	7.3x	7.6x		7.5x	6.5x		8.0x	8.1x	

Source: Company data, Morgan Stanley Research

Cinemark Financials

Exhibit 71: CNK – Income Statement

Cinemark
GAAP Financial Statements

(in $ millions except per share data)	2019	2020	2021E	2022E	2023E	2024E	2025E
Admissions	$1,805.3	$356.5	$738.1	$1,676.2	$1,661.6	$1,685.3	$1,729.3
Concession	1,161.1	231.0	514.4	1,081.8	1,076.2	1,113.8	1,157.2
Other	316.7	98.8	126.0	242.2	257.3	264.2	272.9
Total Revenue	**$3,283.1**	**$686.3**	**$1,378.5**	**$3,000.3**	**$2,995.0**	**$3,063.3**	**$3,159.4**
Film Rentals and Advertising	$1,003.8	$186.8	$392.5	$916.5	$911.3	$925.4	$949.6
Concession Supplies	206.4	48.6	92.1	190.9	189.7	196.2	203.9
Salaries and Wages	410.1	145.0	245.9	382.6	381.4	392.0	406.3
Facility Lease Expense	346.1	279.8	275.3	350.1	352.3	355.5	362.1
Utilities and Other	474.7	229.5	269.7	397.3	407.1	417.0	428.9
Total Cost of Goods Sold	**$2,441.2**	**$889.8**	**$1,275.5**	**$2,237.4**	**$2,241.8**	**$2,286.1**	**$2,350.7**
Gross Profit	**$841.9**	**($203.4)**	**$103.0**	**$762.9**	**$753.2**	**$777.1**	**$808.6**
% growth	(4.95%)	(124.16%)	(150.64%)	640.42%	(1.27%)	3.17%	4.05%
Gross Margin %	25.64%	(29.64%)	7.47%	25.43%	25.15%	25.37%	25.59%
General and Administrative Expenses	$172.6	$127.6	$155.2	$164.1	$168.7	$173.4	$178.3
EBITDA	**$669.3**	**($331.0)**	**($52.2)**	**$598.8**	**$584.5**	**$603.7**	**$630.3**
% growth	(7.21%)	(149.46%)	(84.25%)	(1248.07%)	(2.38%)	3.28%	4.41%
Margin %	20.39%	(48.24%)	(3.78%)	19.96%	19.52%	19.71%	19.95%
Stock Compensation Expense (Included in G&A)	$14.6	$19.4	$23.0	$23.6	$24.1	$24.7	$25.4
EBITDA - pre SBC	**$683.9**	**($311.6)**	**($29.2)**	**$622.3**	**$608.7**	**$628.5**	**$655.7**
% growth	(7.03%)	(145.57%)	(90.64%)	(2233.03%)	(2.19%)	3.25%	4.34%
Margin %	20.83%	(45.41%)	(2.12%)	20.74%	20.32%	20.52%	20.75%
Depreciation and Amortization	$261.2	$259.8	$259.0	$258.0	$260.8	$265.5	$267.7
Total Reported EBITA	**$408.2**	**($590.8)**	**($311.1)**	**$340.8**	**$323.8**	**$338.2**	**$362.6**
Amortization of Intangible Assets/Other	$0.0	$0.0	$5.9	$5.9	$5.9	$5.9	$5.9
Total Reported EBIT	**$408.2**	**($590.8)**	**($317.0)**	**$334.9**	**$317.9**	**$332.3**	**$356.7**
Interest Expense	($99.9)	($129.9)	($147.7)	($178.6)	($160.2)	($141.8)	($113.1)
Interest Income	12.6	4.9	14.7	12.6	11.3	9.0	5.2
Interest Expense, net	**($87.4)**	**($125.0)**	**($133.0)**	**($165.9)**	**($148.9)**	**($132.8)**	**($108.0)**
Impairment of Long-Lived Assets	($57.0)	($47.2)	($30.1)	($30.2)	($30.2)	($30.3)	($30.6)
Gain (Loss) on Sale of Assets and Other	(12.0)	(8.9)	0.0	0.0	0.0	0.0	0.0
Amortization of Debt Issue Costs	0.0	(2.7)	0.0	0.0	0.0	0.0	0.0
Other Income (Expense)	0.0	(20.1)	0.0	0.0	0.0	0.0	0.0
Foreign Currency Exchange Gain(Loss)	(3.4)	(4.9)	(0.6)	0.0	0.0	0.0	0.0
Loss on Early Retirement of Debt	0.0	0.0	(6.5)	0.0	0.0	0.0	0.0
Dividend Income	12.9	7.0	5.1	4.9	4.7	4.3	4.0
Equity in Income of Affiliates	13.2	(52.0)	(42.7)	(34.2)	(27.3)	(21.9)	(17.5)
Minority Interests in Income of Subsidiaries	($2.5)	$1.1	($6.5)	$3.1	$3.1	$3.5	$4.3
% of Minority Interest Owned by Cinemark	0.73%	0.16%	(1.54%)	(1.54%)	(1.54%)	(1.54%)	(1.54%)
Pre-Tax Income	**$272.1**	**($843.5)**	**($531.5)**	**$112.6**	**$119.2**	**$155.2**	**$209.0**
Cash Tax (Expense) / Benefit	($72.1)	$278.4	$43.9	($23.5)	($24.9)	($32.4)	($43.7)
Deferred Tax (Expense) / Benefit	8.0	(30.9)	(4.9)	2.6	2.8	3.6	4.9
Total Tax Provision	($80.1)	$309.4	$48.8	($26.1)	($27.7)	($36.0)	($48.5)
Effective Tax Rate	29.44%	36.68%	9.18%	23.23%	23.23%	23.23%	23.23%
Net Income from Continuing Operations	**$192.0**	**($534.1)**	**($482.7)**	**$86.4**	**$91.5**	**$119.1**	**$160.5**
Income (loss) From Discontinued Operations	$0.0	$0.0	$0.4	$0.0	$0.0	$0.0	$0.0
Net Income	**$192.0**	**($534.1)**	**($482.2)**	**$86.4**	**$91.5**	**$119.1**	**$160.5**
Average Basic Shares Outstanding	116.4	116.7	117.2	117.2	117.2	117.2	117.2
Reported Basic EPS	$1.65	($4.58)	($4.11)	$0.74	$0.78	$1.02	$1.37
Average Fully Diluted Shares Outstanding	116.5	116.7	117.2	121.0	121.0	121.0	121.0
Reported Fully Diluted EPS	**$1.65**	**($4.58)**	**($4.11)**	**$0.71**	**$0.76**	**$0.98**	**$1.33**

Source: Company data, Morgan Stanley Research

Exhibit 72: CNK – Income Statement, Quarters

Cinemark

GAAP Financial Statements

	2020					2021E			
(in $ millions except per share data)	1Q20	2Q20	3Q20	4Q20		1Q21	2Q21	3Q21E	4Q21E
Admissions	$292.5	$0.0	$14.9	$49.1	-	$56.1	$153.5	$218.2	$310.3
Concession	190.4	0.1	9.1	31.5	-	39.5	109.8	157.6	207.5
Other	60.8	8.8	11.5	17.7	-	18.8	31.4	39.1	36.8
Total Revenue	**$543.6**	**$9.0**	**$35.5**	**$98.2**	-	**$114.4**	**$294.7**	**$414.9**	**$554.6**
Film Rentals and Advertising	$156.6	$0.4	$8.3	$21.5	-	$23.2	$76.6	$121.2	$171.5
Concession Supplies	34.8	2.4	2.7	8.8	-	7.1	18.8	28.3	37.8
Salaries and Wages	87.5	8.9	20.2	28.4	-	31.2	50.4	77.6	86.7
Facility Lease Expense	82.2	65.2	67.0	65.3	-	64.8	67.2	70.3	73.0
Utilities and Other	100.5	34.9	43.4	50.7	-	49.1	61.2	76.3	83.0
Total Cost of Goods Sold	**$461.7**	**$111.7**	**$141.6**	**$174.7**	-	**$175.5**	**$274.2**	**$373.7**	**$452.0**
Gross Profit	**$81.9**	**($102.7)**	**($106.1)**	**($76.5)**	-	**($61.1)**	**$20.4**	**$41.2**	**$102.5**
% growth	(51.6%)	(136.8%)	(152.9%)	(139.7%)		(174.7%)	(119.9%)	(138.9%)	(234.0%)
Gross Margin %	15.1%	(1144.8%)	(299.1%)	(77.9%)		(53.4%)	6.9%	9.9%	18.5%
General and Administrative Expenses	$41.0	$28.0	$30.3	$28.2	-	$35.9	$37.3	$41.1	$40.9
EBITDA	**$40.9**	**($130.7)**	**($136.4)**	**($104.7)**	-	**($97.0)**	**($16.9)**	**$0.2**	**$61.6**
% growth	(68.9%)	(155.5%)	(187.4%)	(171.6%)		(337.3%)	(87.1%)	(100.1%)	(158.8%)
Margin %	7.5%	(1456.8%)	(384.6%)	(106.6%)		(84.8%)	(5.7%)	0.0%	11.1%
Stock Compensation Expense	$4.1	$4.3	$4.4	$6.5	-	$4.7	$5.9	$5.9	$6.50
EBITDA - pre SBC	**$45.0**	**($126.4)**	**($132.0)**	**($98.2)**		**($92.3)**	**($11.0)**	**$6.1**	**$68.1**
% growth	(66.5%)	(152.8%)	(182.6%)	(165.2%)		(305.3%)	(91.3%)	(104.6%)	(169.3%)
Margin %	8.3%	(1408.6%)	(372.1%)	(99.9%)		(80.7%)	(3.7%)	1.5%	12.3%
Depreciation and Amortization	$65.3	$63.6	$62.5	$68.4	-	$68.2	$66.9	$61.4	$62.4
Total Reported EBITA	**($24.4)**	**($194.3)**	**($199.0)**	**($173.1)**		**($165.1)**	**($83.8)**	**($61.3)**	**($0.9)**
Amortization of Intangible Assets/Other	$0.0	$0.0	$0.0	$0.0	-	$4.3	$1.6	$0.0	$0.0
Total Reported EBIT	**($24.4)**	**($194.3)**	**($199.0)**	**($173.1)**		**($169.4)**	**($85.5)**	**($61.3)**	**($0.9)**
Interest Expense	($24.7)	($28.4)	($36.6)	($40.3)	-	($36.6)	($37.0)	($37.0)	($37.0)
Interest Income	2.1	0.8	1.3	0.6	-	0.6	3.8	5.1	5.1
Interest Expense, net	**($22.6)**	**($27.6)**	**($35.2)**	**($39.6)**		**($35.9)**	**($33.2)**	**($31.9)**	**($31.9)**
Impairment of Long-Lived Assets	**($16.6)**	**$0.0**	**($24.6)**	($6.0)	-	$0.0	$0.0	($24.2)	($5.9)
Gain (Loss) on Sale of Assets and Other	(1.9)	(0.4)	13.3	(19.9)	-	0.0	0.0	0.0	0.0
Amortization of Debt Issue Costs	0.0	(2.7)	0.0	0.0	-	0.0	0.0	0.0	0.0
Other Income (Expense)	0.0	(19.5)	(0.5)	0.0	-	0.0	0.0	0.0	0.0
Foreign Currency Exchange Gain(Loss)	(4.8)	0.9	(2.3)	1.3	-	(3.0)	2.3	0.0	0.0
Loss on Early Retirement of Debt	0.0	0.0	0.0	0.0	-	(2.6)	(3.9)	0.0	0.0
Dividend Income	5.2	0.7	1.1	0.0	-	0.1	0.0	2.5	2.5
Equity in Income of Affiliates	2.6	(26.1)	(22.0)	(6.6)	-	(5.8)	(14.1)	(17.6)	(5.2)
Minority Interests in Income of Subsidiaries	**($0.2)**	**$0.4**	**$0.4**	**$0.4**	-	**($6.8)**	**$0.0**	$0.2	$0.1
% of Minority Interest Owned by Cinemark	(0.4%)	0.2%	0.2%	0.2%		(3.5%)	0.0%	0.3%	0.3%
Pre-Tax Income	**($62.7)**	**($268.5)**	**($268.7)**	**($243.5)**		**($223.5)**	**($134.3)**	**($132.3)**	**($41.4)**
Cash Tax (Expense) / Benefit	$2.8	$88.3	$109.0	$78.3	-	$13.2	($7.2)	$28.9	$9.0
Deferred Tax (Expense) / Benefit	(0.3)	(9.8)	(12.1)	(8.7)		(1.5)	0.8	(3.2)	(1.0)
Total Tax Provision	**$3.1**	**$98.1**	**$121.1**	**$87.0**	-	**$14.6**	**($8.0)**	**$32.1**	**$10.0**
Effective Tax Rate	5.0%	36.5%	45.1%	35.7%		6.6%	(5.9%)	24.2%	24.2%
Net Income from Continuing Operations	**($59.6)**	**($170.4)**	**($147.6)**	**($156.5)**	-	**($208.8)**	**($142.3)**	**($100.2)**	**($31.3)**
Income (loss) From Discontinued Operations	$0.0	$0.0	$0.0	$0.0	-	$0.6	($0.2)	$0.0	$0.0
Net Income	**($59.6)**	**($170.4)**	**($147.6)**	**($156.5)**	-	**($208.2)**	**($142.5)**	**($100.2)**	**($31.3)**
Average Basic Shares Outstanding	116.5	116.7	116.7	116.8		117.2	117.2	117.2	117.2
Reported Basic EPS	**($0.51)**	**($1.46)**	**($1.26)**	**($1.34)**		**($1.78)**	**($1.22)**	**($0.85)**	**($0.27)**
Average Fully Diluted Shares Outstanding	116.5	116.7	116.7	116.8		117.2	117.2	121.0	117.2
Reported Fully Diluted EPS	**($0.51)**	**($1.46)**	**($1.26)**	**($1.34)**		**($1.78)**	**($1.22)**	**($0.83)**	**($0.27)**

Source: Company data, Morgan Stanley Research

Exhibit 73: CNK – Balance Sheet

Balance Sheet ***(in $ millions)***							
US$ Millions							
Current Assets:	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Cash & Marketable Securities	$488.3	$655.3	$1,320.3	$1,650.3	$995.6	$1,112.0	$100.0
Inventories	21.7	12.6	19.3	36.1	38.5	41.5	45.0
Accounts Receivable	83.7	25.3	35.8	78.0	77.9	79.6	82.1
Income Tax Receivable	4.1	165.2	(11.8)	(11.8)	(11.8)	(11.8)	(11.8)
Prepaid Expenses & Other Current Assets	37.2	34.4	19.1	33.6	33.6	34.3	35.3
Deferred Tax Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Assets	**$635.0**	**$892.7**	**$1,382.7**	**$1,786.1**	**$1,133.7**	**$1,255.6**	**$250.6**
Gross PP&E	$3,348.2	$3,403.1	$3,321.7	$3,370.1	$3,397.7	$3,441.2	$3,458.7
Accumulated Depreciation & Amortization	1,613.0	1,788.0	1,906.6	2,029.2	2,119.0	2,212.1	2,271.1
Net Prop., Plant, & Equip.	**$1,735.2**	**$1,615.1**	**$1,415.0**	**$1,340.9**	**$1,278.7**	**$1,229.0**	**$1,187.7**
Goodwill	$1,283.4	$1,253.8	$1,253.8	$1,253.8	$1,253.8	$1,253.8	$1,253.8
Unrecorded Goodwill from Pooling	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Lease Right-of-Use Assets	1,383.1	1,278.2	1,278.2	1,278.2	1,278.2	1,278.2	1,278.2
Intangible Assets Subject to Amortization, Net	321.8	314.2	311.5	309.0	306.5	304.0	301.7
Investments in and advances to affiliates	421.1	175.7	133.0	98.8	71.4	49.5	32.0
Deferred Charges and Other, Net	48.5	33.2	33.2	33.2	33.2	33.2	33.2
Total Assets	**$5,828.0**	**$5,562.9**	**$5,807.4**	**$6,100.0**	**$5,355.6**	**$5,403.4**	**$4,337.2**
Liabilities:							
Current Portion of Capital and Finance Leases	$15.4	$16.4	$0.0	$0.0	$0.0	$0.0	$0.0
Current Portion of Long-Term Debt	6.6	18.1	0.0	755.0	0.0	1,349.7	405.0
Current Portion of Operating Lease Obligations	217.4	208.6	208.6	208.6	208.6	208.6	208.6
Accounts Payable	91.6	70.6	51.0	111.9	107.6	105.2	103.4
Income Tax Payable	5.2	5.6	5.6	5.6	5.6	5.6	5.6
Accrued Film Rentals	93.8	10.7	45.9	102.9	100.9	100.6	101.1
Accrued Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accrued Payroll	55.2	23.4	28.1	47.0	44.8	43.4	42.3
Accrued Property Taxes	34.3	35.6	25.5	33.6	33.6	34.3	35.3
Accrued Other Current Liabilities	189.2	217.5	153.1	187.9	180.5	185.9	185.7
Current Liabilities	**$708.8**	**$606.4**	**$517.8**	**$1,452.5**	**$681.6**	**$2,033.3**	**$1,087.0**
Long-Term Debt, Less Current Portion	$1,771.3	$2,377.2	$3,165.2	$2,410.2	$2,410.2	$1,060.5	$861.9
Deferred Income Tax Liabilities	141.8	79.5	74.6	77.3	80.0	83.6	88.5
Deferred Lease Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred Gain on Sale Leasebacks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred Revenues and Other Long-Term Liabilities	393.2	438.1	431.0	424.9	419.8	415.7	412.7
Capital Lease Obligations, Net of Current	141.0	124.6	124.6	124.6	124.6	124.6	124.6
Operating Lease Obligations, Net of Current	1,223.5	1,138.1	1,138.1	1,138.1	1,138.1	1,138.1	1,138.1
Minority Interest in Subsidiaries	12.5	11.0	17.5	14.4	11.4	7.8	3.5
Common Stock	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Additional Paid-In Capital	1,170.0	1,245.6	1,245.6	1,245.6	1,245.6	1,245.6	1,245.6
Retained Earnings	605.8	(59.1)	(531.5)	(435.7)	(428.0)	(402.7)	(347.0)
Accumulated Other Comprehensive Income (Loss)	(340.1)	(398.7)	(375.7)	(352.1)	(328.0)	(303.2)	(277.9)
Total Equity	**$1,435.8**	**$788.0**	**$338.5**	**$457.9**	**$489.7**	**$539.7**	**$620.9**
Total Liabilities & Equity	**$5,828.0**	**$5,562.9**	**$5,807.4**	**$6,100.0**	**$5,355.6**	**$5,403.4**	**$4,337.2**

Source: Company data, Morgan Stanley Research

Exhibit 74: CNK – Cash Flow Statement

	2019	2020	2021E	2022E	2023E	2024E	2025E
Cash Flow Statement *(in $ millions)*							
Net Income (Loss)	$193.8	($617.9)	($482.2)	$86.4	$91.5	$119.1	$160.5
Less: Net Income (Loss) from Discontinued Operations							
Less: Effect of Accounting Change, Net							
Net Income (Loss) from Continuing Operations	$193.8	($617.9)	($482.2)	$86.4	$91.5	$119.1	$160.5
Depreciation	256.1	255.0	254.7	255.4	258.3	263.0	265.4
Amortization of Intangible and other assets	5.0	4.8	2.7	2.6	2.5	2.5	2.3
Amortization of Foreign Advanced Rents	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortized Compensation- Stock Options	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization of Debt Issue Costs	5.3	7.3	0.0	0.0	0.0	0.0	0.0
Amortization of Gain on Sale Leasebacks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization of Debt Premium	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization of Deferred Revenue	(13.7)	(8.1)	(7.1)	(6.1)	(5.1)	(4.1)	(3.1)
Impairment of Long Lived Assets	57.0	152.7	30.1	30.2	30.2	30.3	30.6
Stock Option Compensations Expense	14.6	19.4	23.0	23.6	24.1	24.7	25.4
Loss (Gain) on Sale of Assets and Other	12.0	(8.9)	0.0	0.0	0.0	0.0	0.0
Write-Off Unamortized Debt Issue Costs Related to Early	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Write-Off Unearned Compensation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accretion of Interest on Senior Discount Notes	0.0	5.7	0.0	0.0	0.0	0.0	0.0
Deferred Lease Expenses / Non Cash Rent expense	(4.4)	2.4	0.0	0.0	0.0	0.0	0.0
Deferred Income Tax Expenses	(1.8)	(38.9)	(4.9)	2.6	2.8	3.6	4.9
Equity in (Income) Loss of Affiliates	(41.9)	38.7	42.7	34.2	27.3	21.9	17.5
Minority Interests in Income of Subsidiaries	0.0	(12.9)	6.5	(3.1)	(3.1)	(3.5)	(4.3)
Tax Expense Related to Common Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	53.4	28.8	9.8	9.4	9.0	8.2	7.7
Cash From Operations Before Changes in Oper. Asse	**$535.6**	**($171.9)**	**($124.6)**	**$435.2**	**$437.6**	**$465.8**	**$506.7**
Changes In Operating Assets and Liabilities:							
Inventories	($2.4)	$9.1	($6.7)	($16.8)	($2.3)	($3.0)	($3.5)
Accounts Receivable	11.4	58.5	(10.6)	(42.2)	0.1	(1.8)	(2.5)
Prepaid Expenses	(22.1)	2.8	15.3	(14.4)	(0.1)	(0.7)	(1.0)
Deferred Tax Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Advances with Affiliates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Payable and Accrued Expenses	29.7	(106.0)	(54.2)	179.7	(15.9)	1.9	(1.6)
Other Long-Term Liabilities	9.8	(122.5)	0.0	0.0	0.0	0.0	0.0
Income Tax Receivable/Payable	0.0	0.0	177.0	0.0	0.0	0.0	0.0
Total	**$26.4**	**($158.2)**	**$120.8**	**$106.3**	**($18.1)**	**($3.5)**	**($8.5)**
Net Cash From Operations	**$562.0**	**($330.1)**	**($3.9)**	**$541.5**	**$419.5**	**$462.2**	**$498.2**
Additions to Theatre Properties and Equipment	($303.6)	($83.9)	($99.5)	($215.0)	($229.8)	($247.0)	($257.6)
Proceeds from Sale of Theatre Properties and Equipmen	3.2	0.6	14.7	3.5	3.5	3.4	3.0
Acquisition of Theatre Properties and Equipment	(10.2)	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of Shares in National CineMedia	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Return of Capital from Affiliates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds/ (Investment) in Equity Investment	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0
Purchase of Minority Partner Shares in Cinemark Brazil	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of Minority Partner Shares in Cinemark Mexico	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Cash From Investing	**($310.6)**	**($83.4)**	**($84.8)**	**($211.5)**	**($226.3)**	**($243.6)**	**($254.6)**
Revolver	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$206.4
Additional Borrowing	0.0	679.7	1,170.0	0.0	0.0	0.0	0.0
Repayment of Debt	(8.0)	(31.7)	(400.0)	0.0	(755.0)	0.0	(1,349.7)
Common Dividends	(159.3)	(42.3)	0.0	0.0	(92.8)	(102.1)	(112.3)
Special Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from Issuance of Common Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payments on Capital and Finance Leases	(14.6)	(15.4)	(16.4)	0.0	0.0	0.0	0.0
Repurchase of Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from MDP as a Result of the Merger	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Payments to Stockholders	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase In Minority Investment in Subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Decrease In Minority Investment in Subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other, Net	(4.6)	(5.8)	0.0	0.0	0.0	0.0	0.0
Net Cash From Financing	**($186.5)**	**$584.4**	**$753.6**	**$0.0**	**($847.8)**	**($102.1)**	**($1,255.6)**
Beginning Cash Balance	$426.2	$488.3	$655.3	$1,320.3	$1,650.3	$995.6	$1,112.0
Exchange Movement on Opening Cash Balance	(2.6)	(3.9)	0.0	0.0	0.0	0.0	0.0
Net Increase/(Decrease) in Cash	62.3	167.0	664.9	330.0	(654.7)	116.5	(1,012.0)
Ending Cash Balance	$488.5	$655.3	$1,320.3	$1,650.3	$995.6	$1,112.0	$100.0

Source: Company data, Morgan Stanley Research

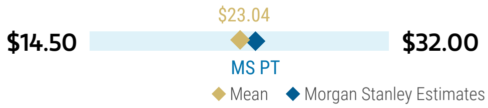
Risk Reward – Cinemark Holdings, Inc. (CNK.N)

We expect strong growth in box office trends, but not back to pre-COVID levels

PRICE TARGET $24.00

Our 2022 mid-year price target is based on our base case fair market value. Our target multiple is ~7.5x EV / fwd. EBITDA.

Consensus Price Target Distribution



Source: Thomson Reuters, Morgan Stanley Research

RISK REWARD CHART

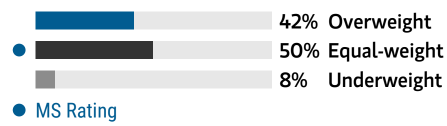
Key: Historical Stock Performance   Current Stock Price   Price Target

Source: Thomson Reuters, Morgan Stanley Research

EQUAL-WEIGHT THESIS

- We value CNK on a DCF basis using 10.5% cost of equity and a 2% long-term growth rate.
- Our Equal-weight rating is based largely on our view that valuation is fair given (1) our uncertainty regarding 2021 box office performance and a rebound in 2022 and (2) a potential P-VOD window pressuring theatrical attendance, or multiples, over time. Currency will drive a MSD headwind to 2021 revenues, by our estimates. Over the longer term, we expect secular headwinds in the US to continue but moderate (-0.5% attendance declines per year), while Latin America generates growth.

Consensus Rating Distribution



Source: Thomson Reuters, Morgan Stanley Research

Risk Reward Themes

Pricing Power:	*Positive*
Secular Growth:	*Negative*
Self-help:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $40.00

US Box Office in line with '19 attendance in '22

~8x 22 Mid Year EV/ fwd. EBITDA

Our bull case assumes annual domestic attendance growth is ~15% ahead of our base case in "22E attendance and leveling out in '23E before returning to its historical rate of modest decline (-0.5% per year) in '24E. International attendance is also ~15% ahead of our base case '22E growth before leveling out in '23E.

BASE CASE $24.00

Domestic box office bounces back ~112% by '21YE

~7.5x '22 Mid Year EV/ fwd. EBITDA

Domestic Box Office rebounds ~112% in '21 and +100% in '22. Domestic per cap concession spending grows LDD in '21, stabilizes in '22, and grows MSD thereafter. Int'l attendance/screen gains over 30% organically in '21 and FX becomes a ~7% headwind in FY21.

BEAR CASE $11.00

Weaker box office rebound in '21, LatAm weaker

Our bear case assumes annual domestic attendance growth is ~20% below our base case '22E, with continued growth in '23E (12% YoY). A tougher macro backdrop pressures LatAm consumers.

Risk Reward – Cinemark Holdings, Inc. (CNK.N)

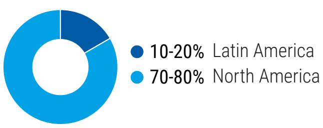
KEY EARNINGS INPUTS

Drivers	2020	2021e	2022e	2023e
US Avg. Ticket Price ($)	8.36	9.17	8.88	9.10
US Concessions per Patron ($)	5.43	6.33	5.64	5.86
US Admissions Rev Growth (%) (%)	(79.6)	122.7	106.2	(1.3)
US Industry Box Office Growth (%) (%)	(80.1)	220.4	107.0	(1.6)
US Film Rent Expense (% of Admissions Revs) (%)	53.3	53.4	55.5	55.7

INVESTMENT DRIVERS

The primary catalysts for the stock include domestic/international box office performance and further P-VOD service announcements.

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

RISKS TO PT/RATING

RISKS TO UPSIDE

- Positive revision to LatAm currency headwind expectations could materially increase near-term earnings (int'l represents ~20-30% of CNK gross profit)

RISKS TO DOWNSIDE

- The domestic box could be permanently impaired if P-VOD window pressures attendance, consumption shifts toward more flexible, time-shifted mediums, or if content under-performs.
- Cinemark's inability to reach licensing agreements w. major studios

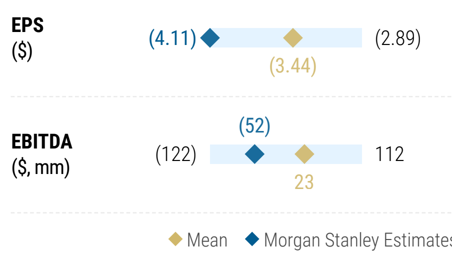
OWNERSHIP POSITIONING

Inst. Owners, % Active	63.8%
HF Sector Long/Short Ratio	3.1x
HF Sector Net Exposure	15%

Thomson Reuters; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2021e



Source: Thomson Reuters, Morgan Stanley Research

Valuation Methodology and Risks

Walt Disney Co (DIS.N)

Our $210 price target reflects ~16x our core FY23e EPS, plus roughly $105/share for the DTC businesses, or 7x attributed FY25e DTC revenues discounted back.

Risks to Upside

- Accelerated OTT adoption drives higher DTC revenues and
- faster profitability Distribution renewals lead to favorable pricing acceleration
- Film success drives strong franchise monetization

Risks to Downside

- Macro econ weakness
- Acceleration in pay-TV cord cutting remains a risk, given DIS exposure to pay-TV revenues
- Franchise fatigue could pressure box office, lower Consumer Products monetization

Discovery Inc. (DISCK.O)

Our $32 PT reflects our base case sum-of-the-parts analysis valuing the combined DTC business at 3.5x '24E revenues, the core linear business at 6x EBITDA, and the marquee studio at 10x '23 EBITDA. Our base case assumes a successful WarnerMedia/ Discovery merger but factors a 15% deal risk discount on equity value

Risks to Upside

- Strong pricing growth on affiliate renewals, greater than expected inclusion in new virtual MVPD offerings, ratings improvement, and accelerated share repurchases.

Risks to Downside

- Ratings underperformance or macro concerns could pressure advertising
- Distributors push back aggressively on pricing for carriage of networks or cable network subscriber erosion accelerates, negatively impacting affiliate revenues

Lions Gate Entertainment Corp. (LGFb.N)

Our fiscal YE22 price target reflects our base case valuation of 12-13x EV / fwd MSe EBITDA, a premium to peers based on strategic optionality and exposure to film/TV content production studios.

Risks to Upside

- Better-than-expected Starz growth on new platforms
- Strong content performance
- Starzplay subs gain traction at accelerated clip

Risks to Downside

- Starz sub declines, rate pressure heightens from traditional MVPDs, renewal pressure
- Content under-performance and unfavorable M&A
- Starzplay subs do not gain traction

Netflix Inc (NFLX.O)

Our $675 PT reflects ~16x EV / 2031E base case EBITDA discounted back and is based on our DCF valuation. Our DCF assumes a 9% WACC and +2.5% long-term growth rate. NFLX currently trades at 8-9x '22E revenue.

Risks to Upside

- Success of programming drives increased subscriber growth
- Pricing increases lead to revenue upside, driving improvement in FCF profile

Risks to Downside

- Pricing increases drive elevated churn
- Increased competition drives higher pricing for exclusive content lowering margins
- Challenges in newer markets negatively impacts member growth expectations

Disclosure Section

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In the next 3 months, Morgan Stanley expects to receive or intends to seek compensation for investment banking services from AMC Networks, Inc., Cinemark Holdings, Inc., Clear Channel Outdoor Holdings, Inc., Discovery Inc., Endeavor Group Holdings, Inc, Fox Corporation, iHeartMedia Inc, Interpublic Group, Lamar Advertising Co., Lions Gate Entertainment Corp., Live Nation Entertainment Inc., Madison Square Garden Entertainment Corp, Madison Square Garden Sports Corp, Netflix Inc, New York Times Co, Omnicom Group Inc., OUTFRONT MEDIA INC, Roku Inc., Spotify Technology SA, ViacomCBS Inc, Walt Disney Co, Warner Music Group Corp., World Wrestling Entertainment Inc.

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(as of September 30, 2021)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1500	43%	399	47%	27%	668	43%
Equal-weight/Hold	1510	43%	380	44%	25%	683	44%
Not-Rated/Hold	0	0%	0	0%	0%	0	0%
Underweight/Sell	506	14%	77	9%	15%	192	12%
Total	3,516		856			1543	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

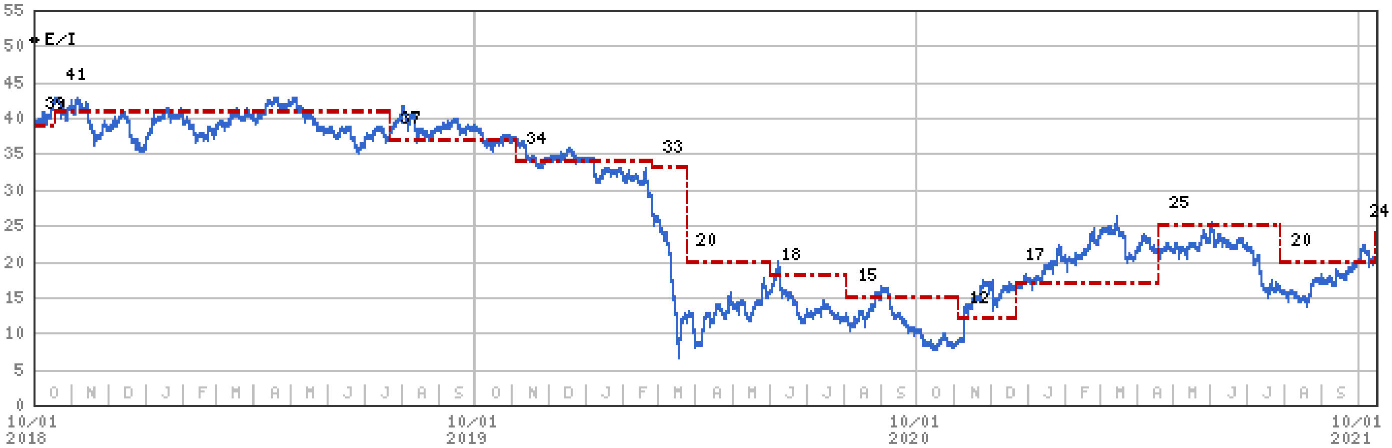
In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Stock Price, Price Target and Rating History (See Rating Definitions)

Cinemark Holdings, Inc. (CNK.N) - As of 10/15/21 in USD
Industry : Media



Stock Rating History: 10/1/16 : U/C; 1/30/17 : U/A; 10/5/17 : E/A; 1/30/18 : E/I

Price Target History: 7/20/16 : 35; 10/21/16 : 38; 1/27/17 : 39; 4/26/17 : 43; 7/5/17 : 40; 10/5/17 : 38; 1/30/18 : 40; 5/8/18 : 42; 7/23/18 : 39; 10/18/18 : 41; 7/23/19 : 37; 11/4/19 : 34; 2/24/20 : 33; 3/24/20 : 20; 6/1/20 : 18; 8/3/20 : 15; 11/4/20 : 12; 12/21/20 : 17; 4/19/21 : 25; 7/29/21 : 20; 10/15/21 : 24

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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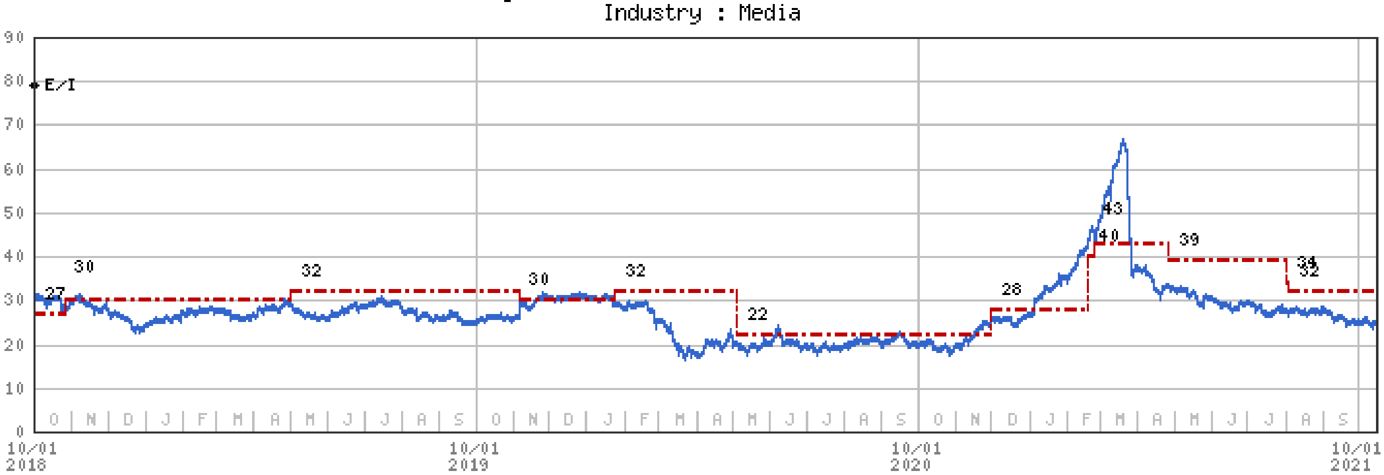
Discovery Inc. (DISCK.O) - As of 10/14/21 in USD
Industry : Media



Stock Rating History: 10/1/16 : E/C; 1/30/17 : E/A; 1/30/18 : E/I

Price Target History: 8/3/16 : 28; 1/30/17 : 30; 5/2/17 : 31; 10/26/17 : 22; 1/30/18 : 29; 5/7/18 : 27; 10/26/18 : 30; 5/1/19 : 32; 11/6/19 : 30; 1/24/20 : 32; 5/4/20 : 22; 12/1/20 : 28; 2/19/21 : 40; 2/23/21 : 43; 4/27/21 : 39; 8/2/21 : 34; 8/4/21 : 32

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
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Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Lions Gate Entertainment Corp. (LGFb.N) - As of 10/14/21 in USD
Industry : Media

Stock Rating History: 10/1/16 : NA/C; 10/31/16 : O/C; 1/30/17 : O/A; 1/30/18 : E/I; 11/2/20 : E/I

Price Target History: 10/31/16 : 25; 1/11/17 : 30; 3/17/17 : 27; 8/1/17 : 32; 12/4/17 : 35; 3/7/18 : 30; 5/24/18 : 26; 11/8/18 : 22; 12/7/18 : 20; 3/8/19 : 18; 7/24/19 : 14; 10/24/19 : 11; 12/18/19 : 10; 2/19/21 : 14; 5/28/21 : 16; 8/3/21 : 15; 8/6/21 : 14

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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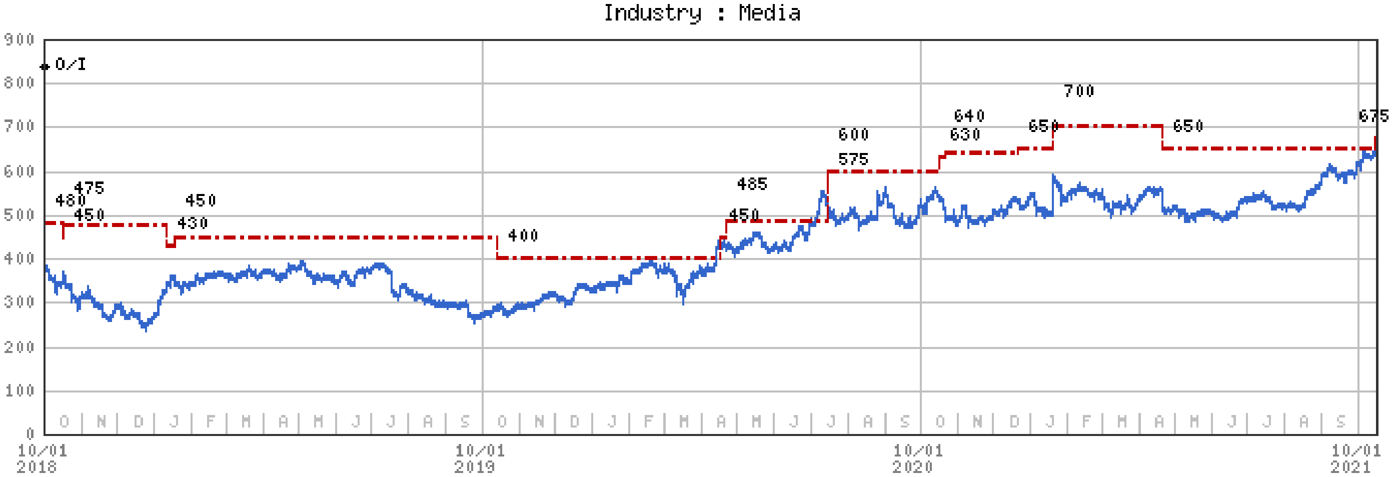
Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Netflix Inc (NFLX.O) - As of 10/15/21 in USD
Industry : Media



Stock Rating History: 10/1/16 : O/C; 1/30/17 : O/A; 1/30/18 : O/I

Price Target History: 7/19/16 : 110; 10/18/16 : 130; 1/12/17 : 150; 1/19/17 : 165; 4/18/17 : 175; 7/13/17 : 185; 7/18/17 : 210; 10/11/17 : 225; 10/17/17 : 235; 1/18/18 : 255; 1/23/18 : 275; 4/10/18 : 350; 4/17/18 : 370; 7/12/18 : 480; 10/16/18 : 450; 10/17/18 : 475; 1/11/19 : 430; 1/18/19 : 450; 10/14/19 : 400; 4/16/20 : 450; 4/22/20 : 485; 7/15/20 : 575; 7/16/20 : 600; 10/16/20 : 630; 10/21/20 : 640; 12/21/20 : 650; 1/20/21 : 700; 4/21/21 : 650; 10/15/21 : 675

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
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Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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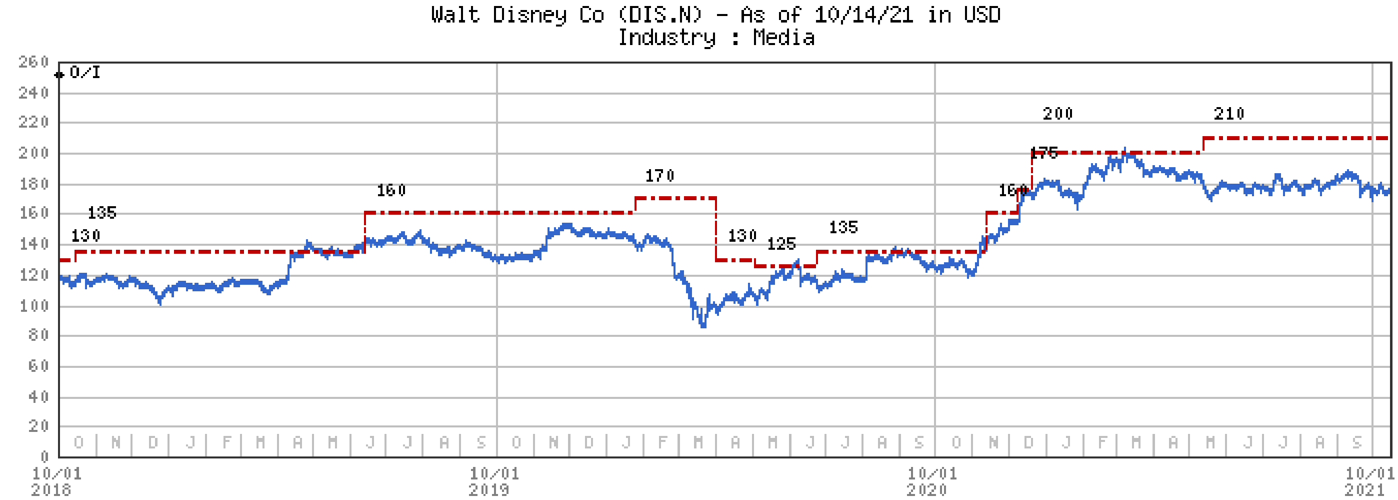

Stock Rating History: 10/1/16 : E/C; 1/30/17 : O/A; 1/30/18 : O/I

Price Target History: 7/14/16 : 105; 10/31/16 : 101; 1/30/17 : 124; 4/20/17 : 130; 10/31/17 : 120; 1/30/18 : 130; 10/15/18 : 135; 6/13/19 : 160; 1/24/20 : 170; 4/1/20 : 130; 5/4/20 : 125; 6/24/20 : 135; 11/12/20 : 160; 12/9/20 : 175; 12/21/20 : 200; 5/12/21 : 210

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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INDUSTRY COVERAGE: Media

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/14/2021)
Benjamin Swinburne, CFA		
Cinemark Holdings, Inc. (CNK.N)	E (10/05/2017)	$20.24
Clear Channel Outdoor Holdings, Inc. (CCO.N)	E (11/02/2020)	$2.75
Discovery Inc. (DISCK.O)	E (07/20/2009)	$24.28
Endeavor Group Holdings, Inc (EDR.N)	E (05/24/2021)	$24.99
Fox Corporation (FOXA.O)	O (10/15/2018)	$42.45
iHeartMedia Inc (IHRT.O)	E (08/26/2019)	$22.35
Interpublic Group (IPG.N)	E (10/15/2018)	$38.10
Lamar Advertising Co. (LAMR.O)	O (11/02/2020)	$118.91
Liberty Braves Group (BATRK.O)	E (05/09/2018)	$26.74
Liberty Formula One (FWONK.O)	E (04/13/2020)	$55.26
Live Nation Entertainment Inc. (LYV.N)	E (10/08/2019)	$100.41
Madison Square Garden Entertainment Corp (MSGE.N)	U (08/17/2021)	$71.73
Madison Square Garden Sports Corp (MSGS.N)	O (03/26/2021)	$190.90
Netflix Inc (NFLX.O)	O (06/17/2014)	$633.80
Omnicom Group Inc. (OMC.N)	U (10/16/2017)	$76.48
OUTFRONT MEDIA INC (OUT.N)	E (04/20/2020)	$26.34
Roku Inc. (ROKU.O)	U (12/02/2019)	$328.92
Spotify Technology SA (SPOT.N)	O (04/30/2018)	$247.37
ViacomCBS Inc (VIAC.O)	E (01/24/2020)	$39.47
Walt Disney Co (DIS.N)	O (01/30/2017)	$174.41
Warner Music Group Corp. (WMG.O)	O (12/17/2020)	$47.51
World Wrestling Entertainment Inc (WWE.N)	E (01/31/2020)	$59.48
Thomas Yeh		
AMC Networks, Inc. (AMCX.O)	E (11/02/2020)	$47.21
Lions Gate Entertainment Corp. (LGFb.N)	E (11/02/2020)	$12.94
New York Times Co (NYT.N)	O (10/14/2020)	$54.33

Stock Ratings are subject to change. Please see latest research for each company.

* Historical prices are not split adjusted.

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