



Entertainment Properties a Key Beneficiary for Economy Reopening

Ticker/Price: EPR (\$28.18)

Analysis:

Entertainment Properties (EPR) unusual large trade on 4/28 as 1350 December \$30 calls bought to open near \$5.30, a name with very little trading activity, though has 3,450 July \$50 puts in open interest and 2,000 October \$40 puts in open interest from bearish buys, though the holders may have locked in gains at this point via long stock. EPR shares have been forming an ascending triangle basing pattern with a large volume pocket above the \$30 level lacking much resistance until the \$40 level. The \$2B REIT has properties such as Theaters, Theme Parks, Eat & Play, Lodging, Gaming, Fitness Centers, Cultural and Schools/Daycare, so it is clearly tied closely to the shutdown. EPR updated its position on 3/24 noting, EPR had cash of approximately \$1.25 billion, including \$750 million borrowed on March 20, 2020 under its Revolving Credit Facility as a precautionary measure to increase its cash position and preserve financial flexibility considering the current uncertainty in the global markets. EPR has transitioned to an Experiential focused name with Theaters accounting for 45% of the portfolio and Eat & Play 23%. It sees a \$100B market opportunity for its real estate portfolio. Tenant concentration is a concern with the top five accounting for 48%. EPR has been committed to a conservative balance sheet with low leverage, and no maturities due until 2023. EPR now trades just 5.8X FY20 estimated FFO and yields 17.65%, which likely is going to be reduced. Analysts have an average target of \$36 and short interest at 6% of the float has risen 30% Q/Q. JP Morgan cut shares to Neutral recently after the company announced it only collected 15% of rents in April and sees it taking two years to get back to collecting 85% or original rents. Citi cut to Sell on 4/7 with a \$16 target expecting the dividend to be reduced and seeing it very exposed to the shelter in place mandates. Hedge Fund ownership fell 1% in Q4 filings.

Hawk Vision:



Hawk's Perspective: EPR is in better financial health than I figured though not collecting rents is a big issue near-term. It is positioned so well for the Experiential Theme but I have doubts on Theater sustainability and overall the name seems like a very hard way to try and earn money outside of a technical volume pocket trade.

Confidence Ranking: \$\$

