



## FEATURED OPTIONS RADAR REPORT



### Bullish Positioning in Cinemark for Box Office Recovery

Ticker/Price: CNK (\$22.85)

#### Analysis:

**Cinemark (CNK)** has not seen the same kind of attention as peer **AMC** but is starting to see accumulation of bullish options positioning. Last week the January 2023 \$17.50 puts sold to open 1600X and December \$30 calls were bought 1400X. CNK has previously seen 1800 December \$25 calls bought, 2500 September \$30 calls bought, 5000 January \$20 puts sold to open and still has 3500 each of the January \$10 and \$12.50 calls bought in October sitting in open interest. CNK shares are consolidating on the weekly chart with resistance at \$25.50 for a move into a large volume pocket to retrace to COVID sell-off back to \$33.70. CNK is one of the most geographically diverse operators in the motion picture exhibition industry. As of December 31, 2020, CNK operated 531 theatres and 5,958 screens in 42 U.S. states and 15 Latin American countries with Texas and California the most concentrated operations as well as a strong position in Brazil. Concession sales have historically accounted for 35% of total revenues. The \$2.85B company trades 8.4X FY22 EBITDA with revenues seen rising 120% in 2021 and 91% in 2022, the latter getting it back to 2016 levels while FY23 should get it back near pre-COVID levels. CNK expects a significant ramp-up during the second half of the year, with a slate of strong commercial films that's more indicative of a pre-pandemic lineup. CNK has the industry-leading subscription program in Movie Club. Analysts have an average target of \$25 and short interest remains high at 19% of the float. Goldman cut shares to Sell on 6-2 on a more cautious box office outlook. It notes the increased availability of high-quality original content, especially in television/streaming services, continue to increase competition to movie-going. Another risk is the film window shortening to 45 days in 2022 from over 4 months a decade ago and 2.7 months in 2019. They do note CNK's operational excellence compared to peers and recent market share gains. CNK recently announced plans to further innovate its entertainment experience by expanding its in-theatre and online esports offering. Benchmark raised its target to \$30 in March encouraged by the recovery potential for the box office.

#### Hawk Vision:



**Hawk's Perspective:** CNK has some allure as a top operator but really liked the **IMAX** story more and less saddled by debt.

**Confidence Ranking:** \$\$