The Fortune Group

CINEPLEX®

Cineplex Inc. (TSX: CGX)

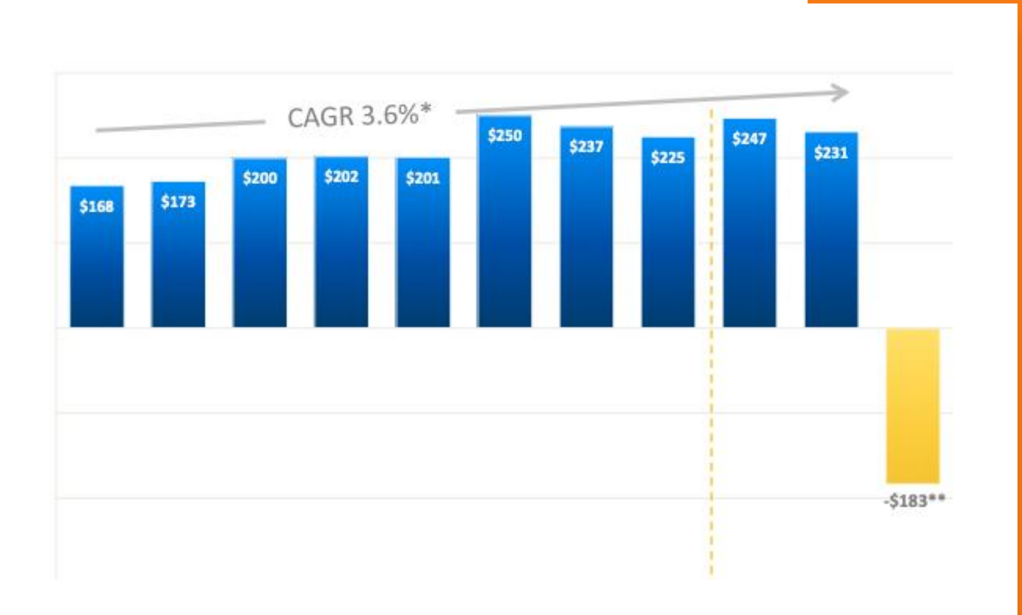
Recommendations

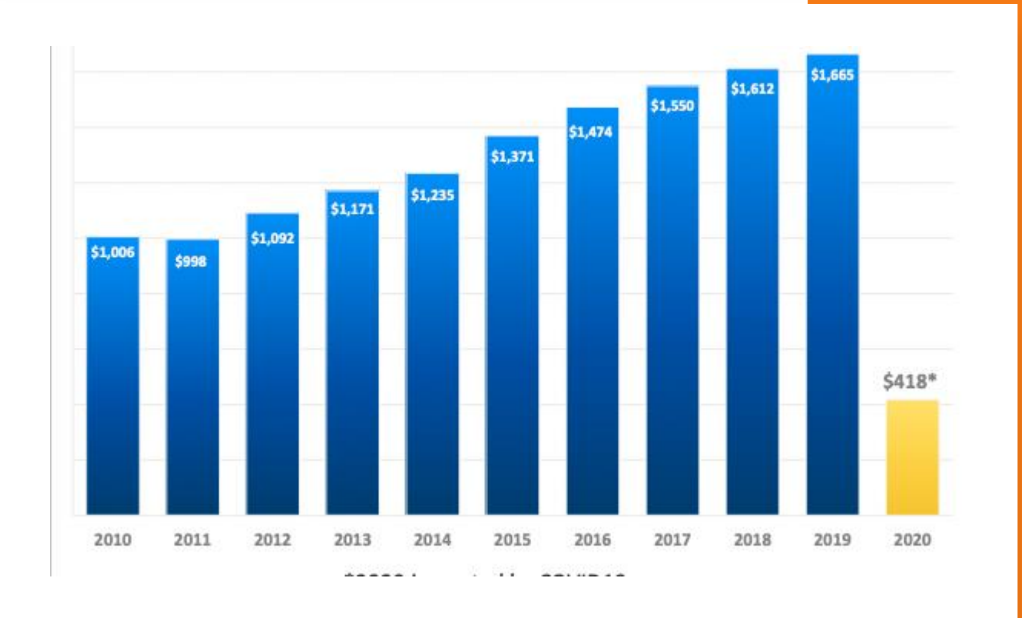
The Fortune Group

- **Recommendation:** I recommend buying Cineplex Inc. (TSX: CGX) because it is 52.5% undervalued.
- **Investment Thesis**: The current stock price has been heavily impacted by COVID-19 restrictions and has forced to shut down in many areas of the world
- **Catalysts**: With its adjustments during COVID-19, plans to diversify its investments to expand their revenue sources and the vaccination rollout plan, this stock is a buy and hold until at least Fall of 2022
- **Valuation**: The company's intrinsic value is closer to $32/share from its current $15/share
- **Risks**: Profitability measures, delta variant, financial position, negative shareholder's equity

Company Background

- Industry: Entertainment (Consumer Cyclical)
- LTM Financials: $176.87 Billion Revenue, $(246.92M) EBITDA
- Market Cap: $963.38 M
- LTM Multiples: 16.13 EV / Revenue; -11.55 EV / EBITDA
- Products:
  - Film Entertainment & Content
    - Theatre food services
    - Digital commerce (Cineplex.com, Mobile App, Cineplex Store)
    - Alternative Programming (4D, ScreenX, Recliners)
    - Theatre Exhibition
  - Media
    - Cinema Media (Advertising)
    - Digital Place-Based (Partnership with Restaurants and Banks)
  - Amusement and Leisure
    - Arcades, rec rooms, and other entertainment venues
  - Location-Based Entertainment
    - Rec Room, Playdium





Cost Control	Liquidity Measures
Worked with landlords and real estate partners to abate and defer lease costs Employee layoffs and voluntary salary reductions Benefited from government wage subsidy programs such as CEWS Reduced operating costs and targeted renegotiations with key suppliers Near-term CAPEX guidance significantly reduced Continued suspension of dividend payments	• Amended credit facility to provide waivers to Q4 2021 • Secured $305M additional liquidity through convertible debenture offering and another $250M in second lien note • Received $60M for the reorganization of joint operation wi SCENE • Received $57M for the sale of Company's head office building • Other, including tax refunds

Investment Thesis

COVID-19 Shutdown

Catalysts

COVID-19 Efficiency Measures

- Reduced Rent + Payroll costs as well as other fixed expenses
- High Liquidity

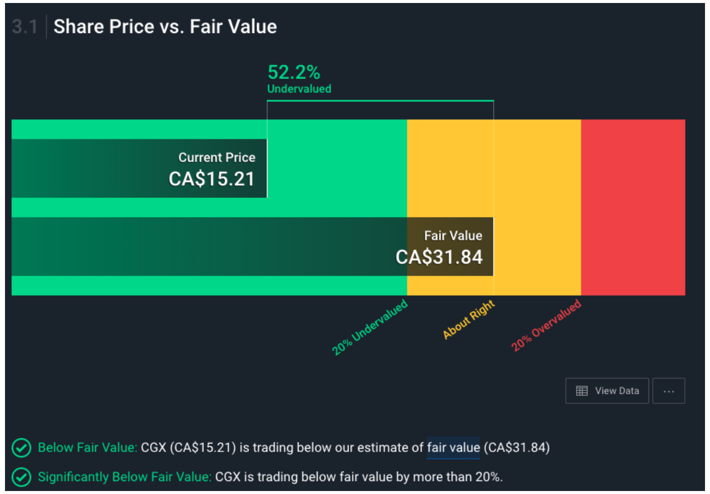
Plans to Diversify

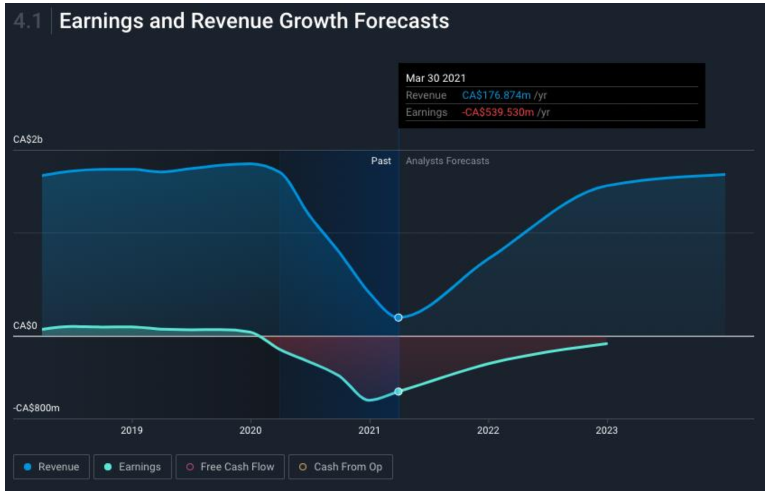
- Online streaming
- Cineplex Media (2019, revenue up 3%)

Full Capacity Re-Opening

- Early stage 3 reopening (ongoing vaccine) – 70%
- Theatre revenue still represents bulk of revenue

Valuation Summary





Key Risk Factors

Profitability Measures

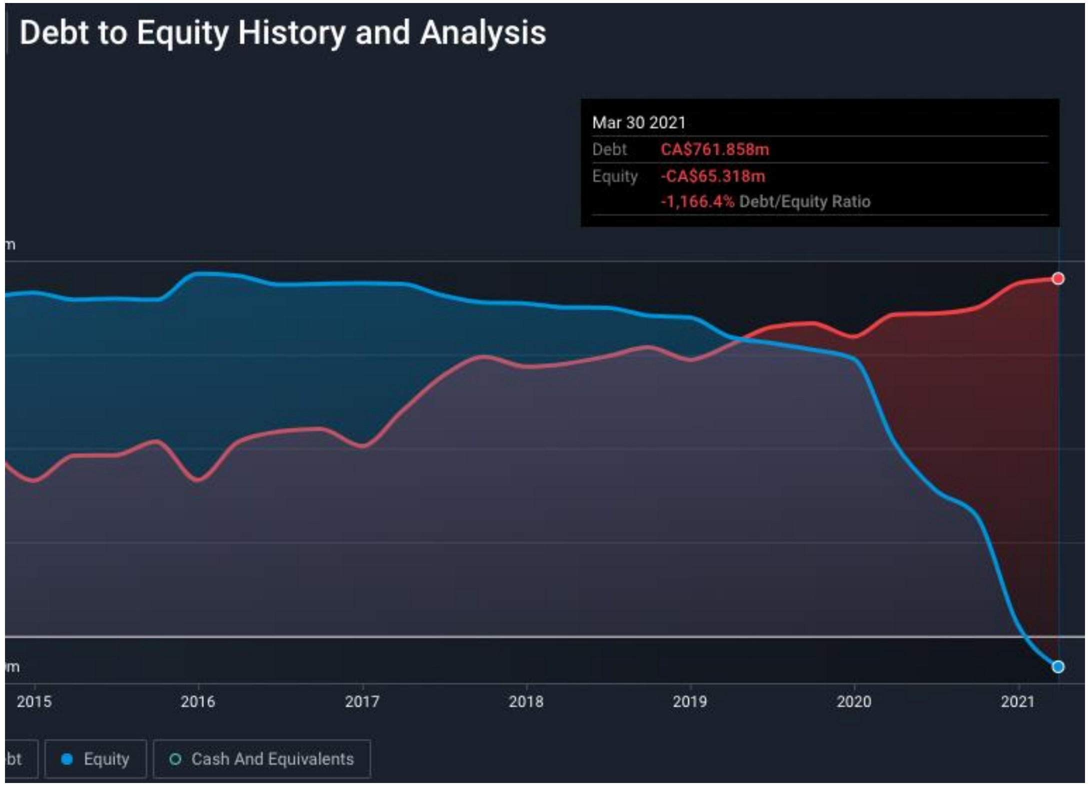
Currently unprofitable and not forecast to become profitable over the next 3 years

Financial Position

Has less than 1 year of cash runaway + Delta Variance

Negative Shareholders Equity

Negative shareholders equity



Summary and Recommendations

- I recommend buying and holding Cineplex Inc. until Fall 2022 or $45-50/share
- Re-openings around the world lead to more theatre revenue
- Biggest theatre entertainment company in Canada
- Diversification plans can reinforce future pitfalls