

Analyst: Sung Nam

Carmike Cinemas Inc (CKEC)

Market Price:	\$7.28	EBITDA/Share:	\$4.94	Net Asset/Share:	-\$0.04
DCF: EV/EBITDA Terminal Value	-10.813%	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		-1.423%	
Current Net Tangible Asset	212.961%	EVA Analysis:		-5.857%	

Overview

Owned, operated 240 screens, with around 9 screens each in continental U.S. They target suburbs and rural areas with populations less than 200,000. Primary market is the South, Bible belt area. Top 10 movies are similar to the industry top 10, not outdated movies. 67% of revenues from ticket sales and 33% (89% margin) from concessions. About \$7.00 a person for tickets and \$3.00 for concessions. About 48-52 Million patrons each year. They are the 4th largest movie theater operator in the U.S. 6,165 employees of which 5,550 are part-time.

\$237 MM in debt obligation (6 year; matures in January 2016; LIBOR + 3.5%; 1.75 interest coverage ratio for 4 consecutive quarters 0.25 adjustment; \$600k quarterly repayment) and \$642 MM in lease obligation.

The company looks like they are in a standstill while under their current debt covenant. They can't leverage up (capped capital expenditure at \$25 MM) and they are vulnerable to the market conditions since the patrons will seek alternatives if the economy weakens, especially in the rural areas.

They are cashflow positive and steadily paying down debt for the past few years. Margins are very slim at only 4% EBIT margin, granted depreciation takes up 6%, so EBITDA is 10%. But the interest from the debt won't go away anytime soon.

The company should really look into closing down more unprofitable theaters and investing more in the centrally located areas.

Financial Analysis

Cashflow: FCFE is \$5 MM, EBITDA \$50 MM.

Debt and Liquidity: \$230 MM in debt, \$13 MM in cash. EBITDA can fully cover interest on debt multiple times.

Sales growth: Sales are forecasted to be in the negative territory until 2012, then low single digit range.

LBO candidate?: No. Company's sales are too small to cover a 30/70 LBO.

Valuation Peers

According to the Financial Times, analysts placed a 12 month median price at \$11.00, while the model is showing \$7.00 over the same time frame. The 5 year price is \$6.00.

	Historical				Forecasted				
	12 months ending 2007-12-31	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	2011	2012	2013	2014	2015
Revenue	480.30	471.02	513.00	491.26	506.00	521.18	547.24	574.60	603.33
COGS	381.10	379.78	417.77	410.07	417.84	431.18	452.89	475.39	499.20
Gross margin	99.20	91.25	95.22	81.20	88.16	90.00	94.34	99.21	104.13
SG&A	21.70	19.36	16.14	17.57	17.71	18.18	19.16	20.09	21.10
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation	40.33	37.95	34.40	32.15	37.58	37.44	38.11	40.39	43.14
Interest expense/(income)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	59.60	34.76	22.59	10.09	16.65	15.80	16.48	17.50	18.30
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Income	-21.40	-20.20	22.28	21.52	16.21	18.58	20.59	21.23	21.58
Interest income/(expense)	-46.20	-40.27	-33.07	-35.99	-36.99	-37.67	-39.75	-41.70	-43.78
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income before tax	-67.60	-40.47	-10.79	-14.47	-20.78	-19.09	-19.15	-20.47	-22.20
Tax	55.90	0.36	4.32	-0.69	6.17	0.77	0.70	0.79	0.82
Income after tax	-123.50	-40.83	-15.11	-13.78	-26.95	-19.86	-19.85	-21.27	-23.02
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	1.18	0.73	0.83	0.89	0.92	0.97
Net Income	-123.50	-40.83	-15.11	-12.60	-26.22	-19.04	-18.96	-20.35	-22.05
*Figures are in millions (\$)									
Revenue Growth	N/A	-1.93%	8.91%	-4.24%	3.00%	3.00%	5.00%	5.00%	5.00%
Tax Rate	-82.69%	-0.89%	-40.04%	4.77%	-29.71%	-16.47%	-20.36%	-15.44%	-20.50%
Margins									
COGS	79.35%	80.63%	81.44%	83.47%	82.58%	82.73%	82.76%	82.73%	82.74%
Gross margin	20.65%	19.37%	18.56%	16.53%	17.42%	17.27%	17.24%	17.27%	17.26%
SG&A	4.52%	4.11%	3.15%	3.58%	3.50%	3.49%	3.50%	3.50%	3.50%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest expense/(income)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	12.41%	7.38%	4.40%	2.05%	3.29%	3.03%	3.01%	3.05%	3.03%
Other operating expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income	-4.46%	-0.04%	4.34%	4.38%	3.20%	3.57%	3.76%	3.69%	3.58%
Interest income/(expense)	-9.62%	-9.81%	-6.45%	-7.33%	-7.31%	-7.23%	-7.26%	-7.26%	-7.26%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	-14.07%	-8.59%	-2.10%	-2.95%	-4.11%	-3.66%	-3.50%	-3.56%	-3.68%
Tax	11.64%	0.08%	0.84%	-0.14%	0.18%	0.15%	0.13%	0.14%	0.14%
Income after tax	-25.71%	-8.67%	-2.95%	-2.81%	-5.33%	-3.93%	-3.92%	-4.20%	-4.55%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.24%	0.14%	0.16%	0.16%	0.16%	0.16%
Net Income	-25.71%	-8.67%	-2.95%	-2.56%	-5.18%	-3.65%	-3.47%	-3.54%	-3.66%

	As of 2007-12-31	As of 2008-12-31	As of 2009-12-31	As of 2010-12-31	2011	2012	2013	2014	2015
Cash	21.98	10.87	25.70	13.07	9.42	12.82	16.97	22.02	28.11
Short term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	21.98	10.87	25.70	13.07	9.42	12.82	16.97	22.02	28.11
Accounts Receivable	4.12	4.03	5.01	4.44	4.44	4.44	4.44	4.44	4.44
Other receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	4.12	4.03	5.01	4.44	4.44	4.44	4.44	4.44	4.44
Deferred Income Tax	-0.01	0.00	0.00	29.99	29.99	29.99	29.99	29.99	29.99
Total Inventory	1.67	2.37	2.55	2.74	2.74	2.74	2.74	2.74	2.74
Prepaid Expenses	5.69	5.77	6.79	6.70	6.70	6.70	6.70	6.70	6.70
Other Current Assets	0.23	0.18	0.40	0.34	0.34	0.34	0.34	0.34	0.34
Current Assets	33.68	23.22	40.45	57.28	53.63	57.03	61.18	66.23	72.32
PP&E, Gross	815.12	754.61	722.31	711.56	726.56	741.56	756.56	771.56	786.56
Change in Depreciation	40.33	37.95	34.40	32.15	37.58	37.44	38.11	40.39	43.14
Accumulated Depreciation	317.82	322.05	356.45	388.60	426.18	463.61	501.73	542.12	585.26
PP&E, Net	497.30	432.56	365.86	322.96	300.38	277.95	254.83	229.44	201.30
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	1.53	1.39	1.25	0.61	0.61	0.61	0.61	0.61	0.61
Long term investments	0.00	0.00	0.00	8.09	8.09	8.09	8.09	8.09	8.09
Other long term assets	35.53	26.29	20.95	19.84	19.84	19.84	19.84	19.84	19.84
Long Term Assets	852.18	782.29	388.06	351.50	328.92	306.49	283.37	257.98	229.84
Total Assets	568.04	483.46	453.98	454.76	382.56	363.52	344.56	324.21	302.15
Accounts Payable	28.19	24.00	26.15	21.66	21.66	21.66	21.66	21.66	21.66
Accrued Expense	22.30	18.99	21.82	18.82	18.82	18.82	18.82	18.82	18.82
Other current Liabilities	13.84	9.70	11.56	8.61	8.61	8.61	8.61	8.61	8.61
Total Current Liabilities	64.33	52.69	59.53	49.09	49.09	49.09	49.09	49.09	49.09
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	4.65	4.50	4.26	4.24	4.24	4.24	4.24	4.24	4.24
Long term Debt	298.46	270.69	248.17	233.09	233.09	233.09	233.09	233.09	233.09
Capital Lease Obligations	118.60	117.06	116.68	116.04	116.04	116.04	116.04	116.04	116.04
Total Interest Earning Debt	421.71	392.25	369.11	353.37	353.37	353.37	353.37	353.37	353.37
Deferred income tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	12.98	13.29	14.03	52.20	52.20	52.20	52.20	52.20	52.20
Total Liabilities	499.02	458.23	442.67	454.66	454.66	454.66	454.66	454.66	454.66
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	0.39	0.39	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Additional Paid-in capital	287.79	285.43	286.90	288.99	288.99	288.99	288.99	288.99	288.99
Dividends Paid				0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	-208.25	-249.64	-265.05	-277.63	-303.85	-322.89	-341.85	-362.20	-384.26
Treasury Stock	-10.93	-10.94	-10.95	-11.66	-11.66	-11.66	-11.66	-11.66	-11.66
Other Equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	69.00	25.24	11.30	0.10	-26.12	-45.16	-64.12	-84.47	-106.53
Liability + Equity	568.02	483.47	453.97	454.76	428.54	409.50	390.54	370.19	348.13
Variance	0	0	0	0	-46	-46	-46	-46	-46
Total Shares Outstanding	12.82	12.83	12.86	12.88					

SN VALUATION

Pro Forma Cash Flow

Name:

Carmike Cinemas Inc

Ticker:

CKEC

	12 months ending 2007-12-31	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	2011	2012	2013	2014	2015
Net Income	-126.89	-41.39	-15.41	-12.58	-26.22	-19.04	-18.96	-20.35	-22.05
Depreciation	40.33	37.95	34.40	32.15	37.58	37.44	38.11	40.39	43.14
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	55.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non Cash Items	65.57	39.60	22.49	16.65	0.00	0.00	0.00	0.00	0.00
Change in Working capital	2.08	-11.09	8.38	-8.53	0.00	0.00	0.00	0.00	0.00
Accounts Receivable		0.09	-0.98	0.57	0.00	0.00	0.00	0.00	0.00
Other Receivables		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory		-0.70	-0.18	-0.19	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses		-0.08	-1.02	0.09	0.00	0.00	0.00	0.00	0.00
Accounts Payable		-4.19	2.15	-4.49	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	36.99	25.07	49.85	27.68	11.35	18.40	19.15	20.04	21.09
Capital Expenditures	-22.68	-11.68	-13.55	-16.90	-15.00	-15.00	-15.00	-15.00	-15.00
Long term investment					0.00	0.00	0.00	0.00	0.00
Intangibles	12.30	12.28	3.04	4.04	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-10.39	0.60	-10.51	-12.86	-15.00	-15.00	-15.00	-15.00	-15.00
Financing Cash flow items	-0.97	0.00	-0.10	-9.15	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-8.87	-6.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	-1.47	-0.01	-0.01	-0.67	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Debt	-19.34	-30.04	-24.41	-17.63	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-30.65	-36.78	-24.52	-27.46	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	0.00	0.00	0.00	0.00					
Beginning Cash Balance	26.02	21.98	10.87	25.70	13.07	9.42	12.82	16.97	22.02
Net Change in Cash	-4.04	-11.11	14.83	-12.63	-3.65	3.40	4.15	5.04	6.09
Ending Cash Balance	21.98	10.87	25.70	13.07	9.42	12.82	16.97	22.02	28.11
Cash Interest Paid	45.32	40.81	30.06	36.32					
Cash Taxes Paid	0.00	0.00	0.30	3.68					
Depreciation to Sales	8.40%	8.06%	6.71%	6.54%	7.43%	7.18%	6.96%	7.03%	7.15%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	0.86%	0.86%	0.98%	0.90%	0.88%	0.85%	0.81%	0.77%	0.74%

SN VALUATION

FCFE, FCFD, FCFE Analysis

Name:

Carmike Cinemas Inc

Ticker:

CKEC

	12 months ending 2007-12-31	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	2011	2012	2013	2014	2015
Current assets	33.68	23.22	40.45	57.28	53.63	57.03	61.18	66.23	72.32
Excess cash + cash	21.98	10.87	25.70	13.07	9.42	12.82	16.97	22.02	28.11
Current assets minus cash	11.70	12.35	14.75	44.21	44.21	44.21	44.21	44.21	44.21
Current Liabilities	64.33	52.69	59.53	49.09	49.09	49.09	49.09	49.09	49.09
Net Working Capital	-52.63	-40.34	-44.78	-4.88	-4.88	-4.88	-4.88	-4.88	-4.88
Change in Working Capital (WCCF)		12.29	-4.44	39.90	0.00	0.00	0.00	0.00	0.00
Net Fixed Assets	497.30	432.56	365.86	322.96	300.38	277.95	254.83	229.44	201.30
Change in net fixed assets		-64.74	-66.70	-42.90	-22.58	-22.44	-23.11	-25.39	-28.14
Depreciation	40.33	37.95	34.40	32.15	37.58	37.44	38.11	40.39	43.14
Other assets	35.53	26.29	20.95	19.84	19.84	19.84	19.84	19.84	19.84
Change in other assets		-9.24	-5.34	-1.11	0.00	0.00	0.00	0.00	0.00
Net Investment Flow (NIF)		-36.03	-37.64	-11.86	15.00	15.00	15.00	15.00	15.00
Net Income	-123.50	-40.83	-15.11	-12.60	-26.22	-19.04	-18.96	-20.35	-22.05
Depreciation	40.33	37.95	34.40	32.15	37.58	37.44	38.11	40.39	43.14
CFFO	-83.17	-2.88	19.29	19.55	11.35	18.40	19.15	20.04	21.09
(-) NIF		36.03	37.64	11.86	-15.00	-15.00	-15.00	-15.00	-15.00
(-) WCCF		-12.29	4.44	-39.90	0.00	0.00	0.00	0.00	0.00
Principal increase (repayment) in debt		-27.92	-22.76	-15.10	0.00	0.00	0.00	0.00	0.00
Change in excess cash									
Free cash flow to equity (FCFE)		-7.06	38.61	-23.59	-3.65	3.40	4.15	5.04	6.09
Interest on Interest bearing debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Free cash flow to debt (FCFD)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBIT	-21.40	-0.20	22.28	21.52	16.21	18.58	20.59	21.23	21.58
Tax	-29.71%	6.36	-6.62	-6.39	-4.82	-5.52	-6.12	-6.31	-6.41
EBIT minus Tax	-27.76	-0.26	28.90	27.91	21.03	24.10	26.71	27.54	27.99
Depreciation	40.33	37.95	34.40	32.15	37.58	37.44	38.11	40.39	43.14
Net Operating Flow (NOF)	12.57	37.69	63.30	60.06	58.61	61.54	64.82	67.93	71.13
(-) Net Investment Flow	0.00	36.03	37.64	11.86	-15.00	-15.00	-15.00	-15.00	-15.00
(-) WCCF	0.00	-12.29	4.44	-39.90	0.00	0.00	0.00	0.00	0.00
Free Cash Flow to the Firm (FCFF)		61.43	105.38	32.02	43.61	46.54	49.82	52.93	56.13
FCFE + FCFD	0.00	-7.06	38.61	-23.59	-3.65	3.40	4.15	5.04	6.09
FCFF	0.00	61.43	105.38	32.02	43.61	46.54	49.82	52.93	56.13
Variance	0.00	-68.49	-66.77	-55.61	-47.25	-43.14	-45.67	-47.89	-50.04

2011-11-10

SN VALUATION

EVA Analysis

Name:

Carmike Cinemas Inc

Ticker:

CKEC

	2010	2011	2012	2013	2014	2015
Equity	11.36	-14.86	-33.90	-52.86	-73.21	-95.27
Debt	353.37	353.37	353.37	353.37	353.37	353.37
Total Capital Invested	364.73	338.51	319.47	300.51	280.16	258.10
Revenue	491.26	506.00	521.18	547.24	574.60	603.33
COGS	410.07	417.84	431.18	452.89	475.39	499.20
Gross margin	81.20	88.16	90.00	94.34	99.21	104.13
SG&A	17.57	17.71	18.18	19.16	20.09	21.10
R&D	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation	32.15	37.58	37.44	38.11	40.39	43.14
Interest expense/(income)	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	10.09	16.65	15.80	16.48	17.50	18.30
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00
Operating Income	21.52	16.21	18.58	20.59	21.23	21.58
Tax Rate	4.77%	-29.71%	-16.47%	-20.36%	-15.44%	-20.50%
NOPLAT	20.49	21.03	21.64	24.78	24.51	26.00
Invested Capital	364.73	338.51	319.47	300.51	280.16	258.10
ROIC	5.62%	6.21%	6.77%	8.25%	8.75%	10.07%
WACC	6.64%	6.64%	6.64%	6.64%	6.64%	6.64%
Spread	-1.02%	-0.43%	0.14%	1.61%	2.11%	3.44%
Spread in Dollars	-3.72	-1.44	0.43	4.84	5.91	8.87
EVA	361.01	337.07	319.90	305.34	286.07	266.97