Cineworld heads to US bankruptcy filing as debt woes mount

C
INEWORLD today admitted it is pondering filing for bankruptcy – at least in the US – while it fights for survival in a post pandemic world.

That means an insolvency filing in the UK is now a clear possibility, likely leading to a wipe-out for long suffering shareholders.

The world's second largest cinema chain after AMC is weighed down by $5 billion of debts and has struggled to bounce back from Covid lockdowns.

On Friday the shares fell 60% as speculation mounted that bankruptcy was on the cards. Investors have lost hundreds of millions of pounds from buying Cineworld shares.

Today the firm said that "strategic options through which Cineworld may achieve its restructuring objectives include a possible voluntary Chapter 11 filing in the United States".

Read More

- Cineworld considering bankruptcy but 'no significant impact' on jobs
- FTSE 100 Live: Cineworld updates on debt battle, markets weaker
- Falling pound helps FTSE avoid global sell-off
-

Chapter 11 is a less serious form of bankruptcy than in the UK since it seeks to protect the company and its assets from creditors while it regroups.

A filing for bankruptcy in the UK would almost certainly send the shares to zero. That would be a blow to investors large and small. Chinese tycoon Zai Wang Liu has a 14% stake. The shares are also widely held by retail investors via Hargreaves Lansdown.

Other investors include City giants Aviva and Abrdn.

The company declined to comment on a UK bankruptcy.

Cineworld has seen customers return since the end of lockdown but at lower rates than hoped. While the latest Top Gun, Thor and James Bond releases have done well, there haven’t been enough blockbusters to lure people back to the cinemas, say analysts.

Cineworld, which owns the Picturehouse chain in the UK and Regal in the US, has 750 sites, employing more than 28,000 people across 10 countries. There are 4600 UK employees.

It pledged to stay open for business as normal for now. It would not say how many UK members of Picturehouse there are.

The shares are at 4p today, which values the equity at just £60 million. The stock was at around 320p before Covid.

Cineworld warned of what its latest plans could mean for investors.

The statement today said: “Cineworld would expect to maintain its operations in the ordinary course until and following any filing and ultimately to continue its business over the longer term with no significant impact upon its employees. As previously announced, any deleveraging transaction would, however, result in very significant dilution of existing equity interests in Cineworld."

Cineworld faces a near $1 billion bill for pulling out of a deal to buy Canada's Cineplex. It made a loss of $708 million last year.

Critics say it grew too quickly via acquisitions such as the $3.6 billion purchase of Regal in 2017 that now look seriously overvalued.

Last week the Wall Street Journal said lawyers at Kirkland & Ellis and AlixPartners have been hired to advise Cineworld on how to get through.