

Vue screens financial backers for blockbuster tilt at rival Cineworld

Europe's biggest privately owned cinema operator has lined up financial backing from its new shareholders to help assemble a takeover tilt at Cineworld, its stricken rival.

Sky News has learnt that funds managed by Barings and Farallon Capital Management have agreed to provide capital to Vue International to support strategic acquisitions.

City sources said that Vue, with support from the two funds, would be among the bidders for Cineworld ahead of a deadline set by the latter's advisers later this week.

Cineworld, which is listed in London and like Vue ranks among Britain's biggest cinema chains, has filed for Chapter 11 bankruptcy protection in the US, and is now running a formal auction of its assets.

Last month, the company announced that it would "run a marketing process in pursuit of a value maximizing transaction for the Group's assets, focused on proposals for the Group as a whole".

"Cineworld has not initiated and does not intend to initiate a separate marketing process for the sale of any of its assets on an individual basis."

Cineworld's shares have slumped by 90% during the last year, and the entire group now has a market value of less than £60m, reflecting the fact that investors face being wiped out in any sale.

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The identity of other prospective bidders for Cineworld was unclear on Monday.

Like the rest of the industry, Vue was badly hit by the

pandemic and was forced to go through its own financial restructuring, which was completed just weeks ago.

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After a £470m debt-for-equity swap, the company's balance sheet is now in robust shape, with founder Tim Richards stating publicly that he wants to exploit opportunities to consolidate the sector.

A Vue spokesperson said on Monday: "Our focus at Vue remains on managing the strong recovery we are seeing in our business.

"While it would therefore be premature to speculate about any acquisitions at this stage, we continually evaluate a range of possible opportunities."

Vue is thought likely to be keenest to own Cineworld assets in a selected number of countries, meaning it may have to line up buyers for those it does not want.

The cinema industry has been bolstered by the recent release of hits such as the Avatar sequel, while two of the top three biggest films in UK history have been released in the last couple of years – Daniel Craig's final appearance as James Bond in No Time To Die, and Spider-Man: No Way Home.

Last year's debt-for-equity swap saw Vue's existing Canadian pension fund shareholders, the Alberta Investment Management Corporation (AIMCo) and Omers, relinquish their ownership status.

They had taken control of Vue in 2013 in a deal worth close to £1bn and subsequently presided over a string of acquisitions which helped turn the group into one of Europe's largest cinema operators.

In 2019 – a record year for Vue – they began to explore a sale but did not conclude a deal before the COVID-19 crisis brought the leisure industry to its knees.

Its recent financial restructuring also gave the company, which employs more than 8,000 people, access to an additional £75m of liquidity.

Mr Richards, who also chairs the British Film Institute, has talked about the post-pandemic era becoming “the second golden age of cinema” as audiences flock back to entertainment destinations.

Vue trades from just about 230 sites, operating nearly 2,000 screens in nine European markets, including Germany, Italy, and Poland.

The company was forced to furlough thousands of UK-based employees during the pandemic, with its sites shut for months.

Mr Richards was also forced into a brief skirmish with Vue’s UK landlords as he sought rent reductions during the period of closures.

In the UK, Vue ranks behind only Cineworld and Odeon by number of sites.