



Digital Cinema Destinations Corp. (NasdaqCM: DCIN)

December 4, 2013
Target Price: \$10.00
Recent Price: \$5.39

[Watch Fox Business Interview with CEO Bud Mayo](#)

Market Data

Fiscal Year	June
Industry	Entertainment
Market Cap	\$41.1M
Price/Earnings (ttm)	N/A
Price/Book (mrq)	1.9x
Price/Sales (ttm)	1.1x
EV/EBITDA (ttm)	17.8x
Institutional Ownership	12.8%
Shares Outstanding	7.6M
Float	5.9M
Avg. Daily Vol. (3 mos.)	16,697
As of December 3, 2013	

Income Snapshot

	TTM
Revenue	\$38.3M
Adjusted EBITDA	\$3.0M
TLCF	\$6.5M

Balance Sheet Snapshot

	MRQ
Cash*	\$7.0M
Debt-to-Equity Ratio	37.9%
Book Value per Share	\$2.83

*Includes \$5.7M in gross proceeds from October 9, 2013 equity raise.

DCIN Reports Impressive 1QFY14 Results and Continues to Expand Screen Count

The Company earned revenue of \$11.5 million in 1QFY14, compared to \$4.3 million in 1QFY13. Adjusted EBITDA of \$1 million compared to \$360 thousand for the year-ago period represents a 180% YoY increase. Theater level cash flow increased from \$1 million to \$1.8 million during the same period. Average admission per patron increased from 5,690 to 5,893, average admission per patron increased from \$7.23 to \$7.59, and average concessions sales per patron increased from \$2.88 to \$3.27. Total attendance increased by 158% YoY to 1.08 million, and average attendance per screen increased from 5,656 in 1QFY13 to 5,855 in 1QFY14.

DCIN recently announced entering into an asset purchase agreement to acquire an 8-plex located in Mechanicsburg, PA, a 7-screen theater in Churchville, MD, and a 10-plex in Londonderry, NH, and also announced the addition of two screens to an existing theater. In addition to these new screens, the Company is opening a 12-plex New Smyrna Beach, FL location which is set to be operated by late spring or early summer next year. Since the company's IPO in April 2012, more than 200 screens have been added (including pending additions), resulting in a total screen count of 223. As the Company is continuing to execute on its acquisition strategy, we maintain our \$10.00 target price.

Investment Highlights

DCIN is growing exceptionally quick; targets to have 300 screens by end of FY14 and long-term goal is to have 1,000 screens in top 75/100 Designated Market Areas (DMA).

DCIN pursues an economically attractive acquisition strategy; acquisition made at a target multiple of 4.5x-6x theater level cash flow (TLCF).

The focus on digitalization at DCIN's newly acquired theaters will drive increases in EBITDA and TLCF.

DCIN's alternative programming increases theater attendance during non-peak hours; we believe this will lead to higher per theater attendance at DCIN-owned theaters.

	1QFY13	2QFY13	3QFY13	4QFY13	FY13	1QFY14	2QFY14E	3QFY14E	4QFY14E	FY14E
Average screens	85	96	172	178	130	184	206	240	280	227.5
Average attendance per screen	5,656	6,420	4,429	5,667	22,014	5,855	6,452	5,713	6,064	24,084
Average admission per patron	\$7.23	\$7.71	\$7.84	\$7.92	\$7.83	\$7.59	\$7.95	\$8.00	\$8.00	\$8.00
Average concessions sales per patron	\$2.88	\$3.13	\$3.22	\$3.45	\$3.27	\$3.27	\$3.34	\$3.40	\$3.47	\$3.37
Revenues										
Admissions	3,009	4,752	5,985	7,578	21,324	7,758	10,567	10,970	13,583	42,877
Concessions	1,199	1,929	2,461	3,301	8,890	3,338	4,433	4,665	5,892	18,328
Other	139	189	319	322	969	373	371	432	504	1,680
Total Revenues	4,347	6,870	8,765	11,201	31,183	11,469	15,371	16,067	19,978	62,885
Operating Expenses										
Film Rental Expense	(1,439)	(2,417)	(2,844)	(3,996)	(10,696)	(3,778)	(5,569)	(5,211)	(7,063)	(21,620)
Cost of Concessions	(164)	(317)	(413)	(595)	(1,489)	(602)	(754)	(793)	(1,002)	(3,150)
Salaries and Wages	(513)	(710)	(1,155)	(1,412)	(3,790)	(1,450)	(1,623)	(1,891)	(2,207)	(7,171)
Facility Lease Expense	(523)	(811)	(1,514)	(1,600)	(4,448)	(1,470)	(1,646)	(1,917)	(2,237)	(7,270)
Utilities and Other	(741)	(1,141)	(1,848)	(2,052)	(5,782)	(2,386)	(2,671)	(3,112)	(3,631)	(11,800)
General and Administrative	(737)	(1,208)	(1,365)	(1,743)	(5,053)	(1,318)	(1,401)	(1,632)	(1,904)	(6,255)
Change in Fair Value of Earnout	0	0	79	254	333	(59)	0	0	0	(59)
Depreciation and Amortization	(849)	(1,098)	(1,439)	(665)	(4,053)	(1,335)	(1,495)	(1,741)	(2,032)	(6,602)
Total Operating Expenses	(4,966)	(7,702)	(10,499)	(11,809)	(34,978)	(12,398)	(15,158)	(16,298)	(20,074)	(64,071)
Operating Income	(619)	(832)	(1,734)	(608)	(3,795)	(929)	213	(231)	(96)	(1,187)
Other Expense										
Interest Expense	(23)	(272)	(326)	(379)	(1,000)	(351)	(360)	(450)	(540)	(1,701)
Non-cash Interest Expense	(2)	(75)	(75)	(75)	(227)	(76)	(75)	(75)	(75)	(301)
Other Expense	0	(8)	(38)	(14)	(60)	(9)	(15)	(15)	(15)	(54)
Loss Before Income Taxes	(644)	(1,187)	(2,173)	(1,076)	(5,082)	(1,365)	(237)	(771)	(726)	(3,243)
Income Tax Expense	17	47	(22)	133	175	9	(29)	96	(90)	(15)
Net Loss	(661)	(1,234)	(2,151)	(1,209)	(5,257)	(1,374)	(208)	(867)	(636)	(3,228)
Net Loss Attributable to Non-Controlling Interest	0	93	620	251	964	323	43	180	132	679
Net Loss Attributable to DCIN	(661)	(1,141)	(1,531)	(958)	(4,293)	(1,051)	(165)	(686)	(504)	(2,549)
Preferred Stock Dividends	(1)	(5)	(5)	(5)	(16)	(5)	(5)	(5)	(5)	(20)
Net Loss Attributable to Common Stockholders	(662)	(1,146)	(1,536)	(963)	(4,309)	(1,056)	(170)	(691)	(509)	(2,569)
Net Loss Per Share	(0.12)	(0.21)	(0.25)	(0.15)	(0.74)	(0.16)	(0.02)	(0.09)	(0.06)	(0.35)
Weighted Average Common Shares Outstanding	5,419,452	5,511,765	6,065,265	6,324,272	5,828,283	6,470,484	7,066,357	7,632,713	7,907,713	7,269,317

Reconciliation to Adjusted EBITDA										
Net Loss	(661)	(1,234)	(2,151)	(1,209)	(5,257)	(1,374)	(208)	(867)	(636)	(3,228)
Add Back:										
Depreciation and Amortization	849	1,098	1,439	665	4,051	1,335	1,495	1,741	2,032	6,602
Interest Expense	25	347	401	454	1,227	427	435	525	615	2,002
Income Tax Expense	17	47	(22)	133	175	9	(29)	96	(90)	(15)
Other Expense	0	8	38	14	60	9	15	15	15	54
Deferred Rent Expense	42	48	102	132	324	110	123	144	168	545
Stock-Based Compensation	43	26	79	400	548	79	79	79	400	637
Non-Recurring Fees	47	293	212	90	642	90	150	180	210	630
Management Fees	0	52	203	288	543	217	231	269	314	1,032
Start Media's Share of Adj. EBITDA	0	(105)	237	(79)	53	0	0	0	0	0
Adj. EBITDA	362	580	538	888	2,366	903	2,291	2,182	3,027	8,260
Admissions Gross Margin	52.2%	49.1%	52.5%	47.3%	49.8%	51.3%	47%	53%	48%	50%
Concessions Gross Margin	86.3%	83.6%	83.2%	82.0%	83.3%	82.0%	83%	83%	83%	83%
Operating Margin	-14.2%	-12.1%	-19.8%	-5.4%	-12.2%	-8.1%	14%	-14%	-0.5%	-19%

Additional Information

Legal: Eaton & Van Winkle LLP

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