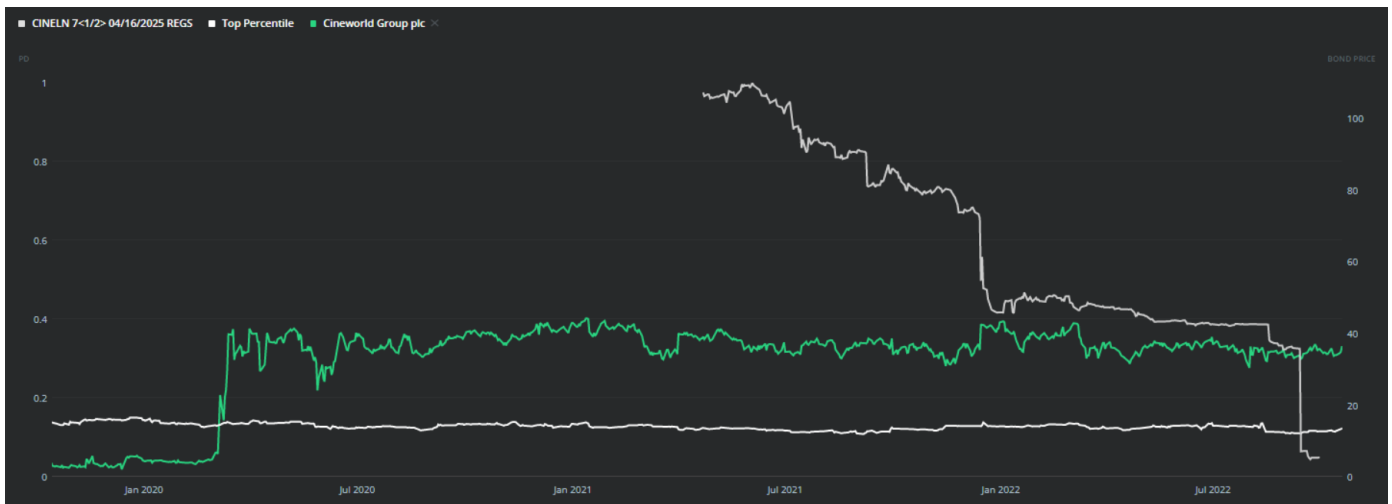


Case Study: Cineworld Group Plc. Bond Price



Summary

⇒ Cardinal's PD score for Cineworld was flagging potential distress ahead of a new bond issue in April 2021.

⇒ Cineworld entered the top 1% of companies at risk of default in March 2020, and remained there until its eventual bankruptcy in 2022.

⇒ The 7.5% 2026 bond was issued at par in June 2021, but later collapsed in value.

The Cardinal Model

Cardinal's machine learning model relies upon fuzzy set mathematics to interrogate millions of data points and assess whether a company yet to be classified is similar to a company that has defaulted in the past.

The more features a company shares with one that has experienced a default event in the past, the higher the PD.

PD vs. bond price

Cineworld's PD (the green line) breaches the top percentile line (the white line) in March 2020, meaning it was ranked the top 1% of companies at risk of default globally.

The new bond issue (the gray line) was relatively stable around par value for the first month of trading in Jun/Jul 2021. As Cineworld's PD remained extremely high the new

bond issue began to significantly decrease in value.

For the remainder of 2021/2022 Cineworld's bond price progressively decreased and fell sharply on bankruptcy in Q3 2022.

Contact us

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