



TRACKING THE RECOVERY OF THE CINEMA INDUSTRY

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➔ Even before *Barbenheimer* took the box office by storm, 2023 was on an upwards trajectory for the cinema industry, with year-to-date box office as of the first weekend in July up 17.7 percent from the equivalent period in 2022 and down only 21.4 percent from 2019.

We're not back to pre-pandemic levels yet—no one could reasonably expect that we would be—but the numbers don't lie: Our industry has regained its footing, and with more and more films hitting theaters,

the underperformance of a single movie is no longer cause for existential dread. In keeping with our factual, data-driven approach to industry coverage, BOXOFFICE PRO waded through the second quarter earnings reports of five publicly traded companies—leading exhibitors AMC Theatres, Cinemark, Cineplex, and Marcus Theatres, plus PLF provider Imax—pulling from transcripts of calls with investors and reams of data points to tell the story of an industry in renewal.

"We will not get to 2019 pre-pandemic levels for this full year 2023, but there is a clear trajectory upwards."



IMAX

2023 has been a strong year for Imax, which captured 3.3 percent of the global box office in Q2. Both revenue (\$98M) and box office (\$268.3M) were up from Q1 2022, with *The Super Mario Bros. Movie*, *Guardians of the Galaxy Vol. 3*, *Fast X*, and *Spider-Man: Across the Spider-Verse* leading the pack—*Mario* grossing \$50M globally in the format, with *Guardians*, *Fast X*, and *Spider-Verse* each pulling in \$30M-plus. With *Mario* and *Spider-Verse*, Q2 2023 gave Imax their first and second-highest-grossing animated films of all time.

“What’s remarkable,” said Imax CEO Richard Gelfond in an earnings call with investors, “is [that] we delivered despite a Q2 slate that yielded mixed results at the box office,” speaking to—in part—Imax’s success in augmenting a Hollywood slate with local-language titles. Q2 saw local titles—including *Born to Fly*, *The First Slam Dunk*, *Detective Conan: Black Iron Submarine*, and *Lost in the Stars*—earn an average of \$6.4M globally in Imax. *Born to Fly*, in particular, helped propel Imax’s Chinese subsidiary to its second-highest-grossing May Day period; over the holiday, Imax accounted for 16 of the nation’s 20 top-grossing screens. (In July, Imax filed a proposal to acquire 96.3M shares of Imax China, which—upon approval—will put Imax China completely under the Imax Corporation’s ownership.)

Q2 also saw Imax continue to expand its global footprint, inking deals for new screens in France and Morocco (with French exhibitor Megarama), Vietnam (with Galaxy Cinema), Mexico (with Cinemex), Thailand (with Major Cineplex), and the United States (with EVO Entertainment Group and CMX Cinemas); an additional deal with multinational circuit Kinopolis will double the chain’s Imax footprint by adding screens in the U.S., Canada, France, Belgium, Spain, and—getting its first-ever Imax system—Luxembourg. In the first month of Q3, Imax announced a deal with Canadian circuit Cineplex that will see the addition of five new Imax screens and two upgrades to Imax with Laser.

All this was before Q3 brought the release of Warner Bros.’ *Oppenheimer*, which opened to \$35M globally on only 740 screens—a record 20 percent of the global debut box office for the film. In North America, 411 Imax screens accounted for a record 26.2 percent of *Oppenheimer*’s debut gross, or \$21.1M. Internationally, Imax’s share of opening weekend was 14.8 percent—and that before the film came out in several key markets, including China, South Korea, Italy, and Greece. And in China, July saw Imax deliver over 16 percent of the opening weekend of local-language title *Creation of the Gods: Kingdom of Storms 1*, the best-ever market share for a Chinese film.

“Increasingly, it is clear the future of the movie business is Imax. The shift to premium experiences in moviegoing that Imax created is no longer just a post-Covid trend. It’s the new normal, the way forward.”

– Richard L. Gelfond, CEO, Imax

Signings for New and Upgraded Imax Systems:

2023 (Jan 1–July 26) ■ 2022 ■

84

47

Increase: **+78.7%**



MARCUS THEATRES

Premium formats were a vital player for Marcus Corporation subsidiary Marcus Theatres, which boasts at least one premium auditorium at 80 percent of their locations—and multiple premium auditoriums in nearly three-fourths of that 80 percent. Doubling up on premium proved particularly beneficial on Barbenheimer weekend, with premium screens available for both *Barbie* and *Oppenheimer* at many locations. Even at locations with only one premium auditorium, noted Marcus Corporation Chairman, President, and CEO Greg Marcus, “Because our PLF screens are almost entirely our proprietary UltraScreens and SuperScreens, we had the scheduling flexibility to split show-times in our single PLF locations. In short, we didn’t have to choose which film to play on our PLFs. We played both. As a result, on opening weekend, 39 percent of our *Barbie* gross box office and 50 percent of our *Oppenheimer* gross box office was on PLF screens.”

Throughout Q2 2023, Marcus saw an increase in average ticket price (+14.2%) and average concessions revenue per person (+7.3%) compared to the same period last year. These increases can, in

part, be attributed to Q2 2023 being the first full quarter since Marcus Theatres’ late March relaunch of their popular Tuesday discount program, now called Value Tuesday. Under the plan, ticket prices are \$6 for Magical Movie Rewards (MMR) loyalty program members and \$7 for non-members (up from \$5 previously); instead of getting a free popcorn, as they did under the old discount program, MMR members now receive a 20 percent discount on food and non-alcoholic beverages. Said Marcus, “We believe that the expansion of Tuesday discounts to our entire food menu provides a more affordable offering that will increase the number of customers who are buying concessions food and beverage and also increase how much they’re buying, with the goal of increasing our overall F&B per caps.” Chad Paris, Marcus Corporation’s CFO and treasurer, added that the chain has “certainly... seen an increase in the number of MMR sign-ups as a result of the Tuesday changes.”

Though Marcus’ Q2 2023 revenue (\$136.9M) increased 5.7 percent compared to Q2 2022, data provided by Comscore and evaluated by Marcus indicate that the chain’s comparable admission revenue growth of 9.7 percent “lagged [behind industry averages] by approximately

3.9 percentage points, which we believe was attributable to a film mix that was more appealing to audiences in other parts of the U.S. outside of our primarily Midwestern markets,” said Paris. “We also believe that a dry May and June with few rainy days in the Midwest kept customers outside enjoying early summer weather and negatively affected attendance.”

Added Greg Marcus, “While attendance was down in the second quarter compared to the prior year due to lower performances from the top films, we are encouraged by the improvement in the number of wide releases during the quarter, which again grew considerably from 19 last year to 29 this year.”

The importance of a robust slate was echoed by Marcus Theatres President Mark A. Gramz, who noted that “While blockbusters make headlines and remain an important part of our industry, the increase in the number of quality mid-sized wide-release films across a variety of genres created more reasons for moviegoers of all ages and demographics to keep returning to Marcus Theatres. Despite a difficult comparison to the same quarter in 2022, which included not only *Top Gun: Maverick* but other successful blockbusters, we are very pleased by the increase in the number of new wide-release films that performed well during the quarter.”

Q2 2023 Vs 2022 Revenue:

2023 ■ 2022 ■



Increase: **+5.7%**

CINEMARK

The end of Q2 2023 saw Texas-based exhibitor Cinemark's screen count rise to 5,812, with 46 new screens (across five theaters) planned for the next two years. Premium large format auditoriums account for roughly 5 percent of that global footprint—and drove over 14 percent of Q2 box office. CFO Melissa Thomas noted that this over-indexing of premium formats and strategic pricing initiatives drove Cinemark's average ticket price up 6 percent from Q2 2022. Domestic concessions revenue saw a steeper uptick: The chain's \$296.3M quarterly concessions revenue represents a 26 percent growth compared to Q2 2022 and an 8 percent growth compared to Q2 2019, when attendance was 23 percent lower. Q2 2023's average concessions per cap of \$7.64 represents an all-time high for the company.

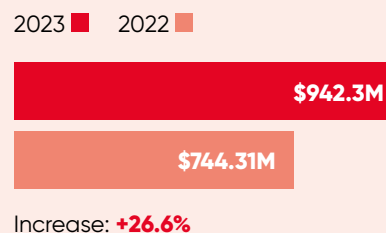
Internationally, Q2 2023 admissions increased 42 percent from Q2 2022 to 25.6M—a figure that's equivalent to 85 percent of Q2 2019 international attendance. That's a rate of recovery that surpasses that of Cinemark's domestic theaters, a fact Thomas attributed to "a film slate that translated extraordinarily well across the LatAm region, including *Super Mario*

Bros., *Fast X*, and *Spider-Man: Across the Spider-Verse*, to name a few."

Domestically, between Q2 2022 and Q2 2023, admissions rose 14 percent to 38.8M, with an average ticket price of \$9.62 for the quarter, a 6 percent increase. Domestic concessions per caps also rose to \$7.64, a record high for the company. Q2 2023's domestic concessions revenue—\$296.3M—is eight percent higher than it was in Q2 2019, despite attendance levels being 23 percent lower.

Overall, CEO Sean Gamble cited a handful of reasons behind Cinemark's increase in market share since before the pandemic: In addition to "the top-notch experience and service we provide our guests," there's the chain's development of "more sophisticated practices for planning showtimes and operating hours" and "a large amount of time [spent] strengthening our marketing capabilities." Part of Cinemark's overall branding drive was the launch, in May 2023, of the Cinemark Shop, an online store carrying movie-specific swag and Cinemark-branded items. Gamble cited merch sales as "something that can continue to contribute to future per cap growth," as "the level of consumption there has been really strong, if not growing."

Q2 2023 Vs 2022 Revenue:



AMC THEATRES

It was a quarter of growth for the world's largest theater chain, with Q2 2023 global attendance clocking in at 66 million—a 12.2 percent uptick from Q2 2022 and the chain's highest quarterly attendance since Q4 2019. On the domestic front, AMC's Q2 2023 attendance was up 15 percent—and its revenue up nearly 20 percent—compared to the same period last year; domestic concessions revenue per patron, meanwhile, reached a record high of \$8.22, 47.3 percent of what it was in Q2 2019. Global F&B per patron revenue of \$7.26 is within a penny of the all-time high for the chain.

"We will not get to 2019 pre-pandemic levels for this full year 2023, but there is a clear trajectory upwards," said AMC CEO Adam Aron. "Our hope is that Covid-19 is but a bad ancient memory by 2024 or 2025." Helping the industry—and AMC—in its recovery are premium formats; per Aron, "A PLF screen grosses about four times a regular, non-PLF screen. So it's kind of obvious that we're happy that we have more PLF screens than any other movie theater company in the world." Premium formats accounted for 5.3 percent of AMC's global screen count in Q2 2023 and 19 percent of its ticket revenues; domestically, PLF screens accounted for 30.1 percent of admissions revenue, up from 26.7 percent over the same period last year.

Those premium formats numbers, representing Q2, cut off before the July release of *Oppenheimer*, which—along with *Barbie*, *Mission: Impossible - Dead*

Reckoning Part 1, *Sound of Freedom*, and other films—made July 2023 the second highest grossing month ever for AMC and the highest month in its 103-year history in terms of revenue. One particular area where AMC has seen growth is in merchandise sales, including collectible popcorn containers, which per Aron, sell to the tune of 25,000–100,000 units weekly. Said Aron: "We plan to significantly expand our merchandise efforts in 2024 and beyond, with a greater variety of items and a larger available quantity of items for sale. It is not uncommon today for us to sell out of some of our movie-themed merchandise in the opening weekend of a movie's release. Movies run a lot longer than the first 72 hours. I think our merchandise business would expand if we have a greater supply to sell."

2023 has also seen AMC enter the retail popcorn market, selling pre-popped and microwave popcorn at Wal-Mart locations nationwide. Sales of AMC's "Perfectly Popcorn," which hit shelves starting in March of this year, are described by Aron as "brisk and pleasantly ahead of our expectations, so much so that we are now looking seriously to expand into other grocery chains and other retail outlets." In a Q2 2023 earnings call, Aron signaled AMC's intention to move ahead with creating a private label line of gummy and chocolate candies, which are slated to be available in AMC theaters later this year or early in 2024. "It goes without saying, of course, that we will still sell Hershey's and Nestle products in our theaters."

Q2 2023 Vs 2022 Revenue:

2023 ■ 2022 ■

\$1,347.9M

\$1,166M

Increase: **+15.6%**



"Our ongoing progress is obvious and ever so encouraging. Combining AMC's commitment to innovation with a notable increase in both the number and quality of movie titles from our studio partners, movie theaters are once again captivating audiences and driving attendance back to AMC theaters."

— Adam Aron, Chairman and CEO, AMC Theatres

CINEPLEX

April through June of 2023, said Cineplex President, CEO, and Director Ellis Jacob in a call with investors, gave Canada's largest chain their "strongest post-pandemic quarter, where for the first time since the pandemic our revenues exceeded \$420 million." Total revenue (\$423.1M) was up just shy of 21 percent compared to Q2 2022's \$349.8M, while box office revenue was up 20.6 percent to \$164.5M, and per patron box office revenue rose 4.5 percent to \$12.84, attributable in part to the rise in popularity of PLF, which accounted for 46.6 percent of Cineplex's Q2 box office.

In terms of attendance, Cineplex's Q2 numbers (12.8m) are up 15.5 percent from Q2 2022 and continue to approach Q2 2019 levels. Q2 2023's attendance was 75 percent of the same quarter in pre-pandemic 2019; breaking the numbers down further, April attendance reached 86 percent of what it was in 2019, May reached 60 percent, and June reached 82 percent. (The last week of April 2019, it should be noted, saw the release of *Avengers: Endgame*, the second-highest-grossing movie of all time, domestically and worldwide.)

Looking outside the traditional cinema space, Cineplex continues to be bullish in the realm of location-based entertainment (LBE). The chain's second Junxion entertainment complex opened in Ontario in May of this year, and two other LBE venues are slated to open in 2024. Through their Player One Amusement Group (P1AG), one of the largest suppliers of arcade games in North America, Cineplex also benefits from the rising popularity of cinema entertainment centers as a whole. Q2 2022 revenue for P1AG reached an all-time quarterly high of \$55.2M, up 22.4 percent from last year. The P1AG business is "on fire," per Cineplex CFO Gord Nelson. "The whole space is on fire... As we've looked to open our Junxion concept, we see exhibitors in the U.S. look into utilizing extra space for amusement gaming concepts. So [there's] lots of opportunity there. We see an explosion in FEC [family entertainment center] concepts across North America. We see landlords looking ... for entertainment-type concepts to come into malls [as retail tenants exit]. So there's a massive opportunity for revenue growth in the



P1AG business, and we're seeing that happen."

The first quarter of 2023 saw Cineplex's distribution arm, Cineplex Pictures, strike a deal to distribute Lionsgate's 2023 theatrical slate—including Q2 films *Are You There God? It's Me, Margaret*; *Sisu*; *About My Father*; and *The Blackening*—in Canada. Also in Q2, Cineplex found considerable success with a trio of Punjabi films, picking up 80 percent of the total North American box office for *Annhi Dea Mazaak Ae*, *Godday Godday Chaa*, and *Jodi*. Says Jacob, "Through our relationships with international content suppliers and our ability to understand consumer preferences, we have attracted audiences such that the contribution of international product to our box office has increased from 4.3 percent in 2019 to 9.4 percent in the first half of 2023. The rest of the industry in North America only generated 3.4 percent of its box office from international product. We will continue to grow and capitalize on this part of our business with the use of data analytics, which continues to get stronger." Much of Cineplex's strength in translating data to ticket sales comes from its robust Scene+ loyalty program, which as of the end of Q2 had over 13 million members. Meanwhile, Cineplex's CineClub subscription program has reached over 115,000 members since launching in the summer of 2021. ■

Q2 2023 Vs 2022 Revenue:

2023 ■ 2022 ■

\$423.1M

\$349.8M

Increase: **+20.9%**