

AMC Entertainment Update: Relevant Excerpts from Various Sources

From the Company's Annual Report 2021

Our business is operated in two Theatrical Exhibition reportable segments, U.S. markets and International markets. Prior to 2016, we primarily operated in the United States. Our international operations are largely a result of our acquisition of Odeon and UCI Cinemas Holdings Limited (“Odeon”) in November of 2016 and Nordic Cinema Group Holding AB (“Nordic”) in March of 2017.

Our theatrical exhibition revenues are generated primarily from box office admissions and theatre food and beverage sales. We offer consumers a broad range of entertainment alternatives including traditional film programming, private theatre rentals, independent and foreign films, performing arts, music and sports. We also offer food and beverage alternatives beyond traditional concession items, including made-to-order meals, customized coffee, healthy snacks, beer, wine, premium cocktails, and dine-in theatre options. The balance of our revenues are generated from ancillary sources, including on-screen advertising, fees earned from our customer loyalty program, rental of theatre auditoriums, income from gift card and exchange ticket sales, and online ticketing fees.

We are committed to maintaining a leadership position in the exhibition industry by focusing on forward-thinking initiatives for the benefit of our guests. We do this through a combination of unique marketing outreach, seamless digital technology and innovative theatre amenities designed to 1) transform AMC into a world-class leader in customer engagement, 2) deliver the best in-person experience while at AMC theatres, 3) selectively adjust our footprint through expansion in certain markets and strategic closure of underperforming theatres, 4) pursue adjacent opportunities that extend the AMC brand, and 5) explore attractive acquisitions leveraging our existing capabilities and core competencies. Consistent with our history and culture of innovation, we believe our vision and relentless focus on these key elements, which apply strategic and marketing components to traditional theatrical exhibition, will drive our future success.

AMC lays out bold post-pandemic recovery strategy

By Kevin Donovan, 21:12 (UTC), 1 March 2022

AMC Entertainment (AMC) outlined a seven-pillar plan to further restructure the embattled movie theatre operator meme-stock, that includes variable rate pricing, plans for a co-branded credit card and a big move into cryptocurrency and non-fungible tokens (NFTs).

As part of the fourth-quarter and year-end 2021 post-earnings conference call, CEO Adam Aron cited the success of its recent non-fungible token (NFT) program launch, which he reported AMC has awarded over 800,000 NFTs over five offerings, some of which have re-sold for up to \$17,000, as a "big opportunity" for AMC to expand into digital assets and cryptocurrencies.

AMC reported mixed earnings results after the closing bell, losing \$134.4m (£100.85m), or 26 cents per share, on \$1.17bn in revenue, both in line with expectations. After market trading was marginally higher, with AMC shares up to \$18.80, from Tuesday's \$18.32 closing share price.

AMC stock traded relatively flat ahead of the earnings release Tuesday, closing at \$18.32 per share, down 0.54% from the \$19 opening share price. Trading was light at 40.4 million, versus the 51.3 million daily average volume.

But the post-earnings conference call with analysts and shareholders was when AMC CEO Adam Aron outlined the bold ideas potentially in the future for the Leawood, Kansas movie theatre operator.

'A big opportunity for us'

"NFTs and cryptocurrencies are a big opportunity for us," Aron said on the call. "We've tended to give away NFTs to ticket buyers but we think it is possible to sell them in the future."

Aron added AMC wants to collect a commission on the resale of future NFT offerings, "We have seen and will be collecting a commission on the re-sale of NFTs."

Aron added he was aware of the resale of one of the Spider-Man NFTs for \$17,000 on a secondary market exchange.

In addition to accepting Bitcoin, Bitcoin Cash and Litecoin in the second half of 2021, AMC will begin accepting both Dogecoin and Shiba Inu later this month and is actively exploring issuing its own cryptocurrency coin.

"We have to be careful about issuing crypto," Aron said. "We expect there to be regulatory changes in crypto this year, but it's something we are looking hard at."

"But we like to stay on the right side of the law," said Aron.

Variable-rate pricing

Promising to be a "bold thinker when it comes to (ticket) pricing," Aron noted that AMC could offer demand-based pricing, with higher ticket prices for certain movies or showtimes – and even for preferred seating beginning with this week's release of *The Batman*.

Noting that outside of the US movie theatres often charge different prices for prime showtimes and premium seating, Aron compared a potential variable-rate pricing plan to that for live music or sporting events.

AMC credit card

With the recent hiring of Eliot Hamlisch as chief marketing officer, with a background in consumer credit working at both American Express and Starwood Hotels & Resorts, Aron said AMC "could see significant profit if it launched a co-branded credit card."

Popcorn delivery

While plans to sell AMC-branded popcorn at retail outlets, such as shopping mall kiosks and grocery stores were previously announced, Aron added AMC would partner with Uber Eats for a popcorn home-delivery service in the second or third quarter 2022.

"We know popcorn," Aron declared. "On peak days we sell 50 tonnes of the stuff. Orville Redenbacher should look out."

Record cash on hand

Aron also added the record \$1.80bn liquidity on hand, \$1.50bn of which is in cash or cash equivalents, AMC could even look to purchase some small, underperforming movie theatres. “This \$1.8 billion in cash is the greatest asset we have,” said Aron. “We could look to buy some small theatre circuits at bargain prices.”

Aron added the cash on hand may also be used to retire outstanding debt, although the recent \$950m bond offering has reduced AMC debt service payments and extended the maturities by three years.

The difference between trading assets and CFDs

The main difference between CFD trading and trading assets, such as commodities and stocks, is that you don’t own the underlying asset when you trade on a CFD.

You can still benefit if the market moves in your favour, or make a loss if it moves against you. However, with traditional trading you enter a contract to exchange the legal ownership of the individual shares or the commodities for money, and you own this until you sell it again.

CFDs are leveraged products, which means that you only need to deposit a percentage of the full value of the CFD trade in order to open a position. But with traditional trading, you buy the assets for the full amount. In the UK, there is no stamp duty on CFD trading, but there is when you buy stocks, for example.

CFDs attract overnight costs to hold the trades (unless you use 1-1 leverage), which makes them more suited to short-term trading opportunities. Stocks and commodities are more normally bought and held for longer. You might also pay a broker commission or fees when buying and selling assets direct and you’d need somewhere to store them safely.

AMC Entertainment struggles with falling stock, high debt load and light blockbuster schedule. Published Oct 12, 2022. **Sarah Whitten**

KEY POINTS

- Shares of AMC Entertainment fell to a 52-week low on Wednesday.
- The slump comes as shareholders and investors question the company’s capital structure and overall business strategy.
- The company’s cash pile could help it weather a light movie release schedule, which is expected to pick up over the next two years.

AMC Entertainment hit a new 52-week low Wednesday as the movie theater company contends with a massive debt load, dilution of its stock and a film release schedule short on blockbusters. Shares of the world’s largest movie theater company have fallen about 80% to under \$6 so far this year, as investors question the company’s capital structure and overall business strategy. The company came back from the brink of bankruptcy in 2021 thanks to millions of retail investors who turned its shares into a meme stock. Since then, AMC has devised several plans to raise more capital to pay down its debts and invest in acquisitions, theater upgrades, a popcorn business and even a gold mine.

In its latest effort, AMC issued a dividend to all common shareholders in the form of preferred shares called “APE,” a reference to the “Apes” moniker adopted by meme stock investors. However, analysts say the company was unable to fully capitalize on selling off these new shares

before disillusioned investors pulled their support. For now, AMC has enough cash in hand to survive and operate for the next several years, said Eric Handler, media and entertainment analyst at MKM Partners. As of June 30, AMC had availability liquidity of more than \$1.17 billion. Its share slump, he added, is “purely about the capital structure.” Even at its depressed price, the stock is overvalued, according to Handler.

AMC has also struggled to post a profit in recent quarters, and its debt load is \$5 billion, about \$2 billion more than its market value. The company amassed the debt prior to the pandemic, when it acquired several smaller theater chains and invested in upgrading its theaters seating and screens. While AMC may have delayed its debt payments, “that doesn’t necessarily mean it’s going to be a favorable environment when they do have to refinance,” said Alicia Reese, an analyst at Wedbush. Reese noted that initial declines in the stock came as management executives sold off shares when they were at their height in mid-2021 and steadily declined in the months that followed. There was another selloff in August, when AMC announced that it was issuing a dividend to all shareholders in the form of preferred APE shares.

“AMC could have capitalized on that, if they had moved very quickly,” she said. “And if they had sold enough shares to wipe out their debt balance, they could have done that. They would have lost all of their retail shareholders pretty quickly, but then they would have been a bit more attractive, fundamentally, even though the share count would have been pretty massive.”

Where have all the blockbusters gone?

Also weighing on investors is a significant lack of blockbuster content during the last few months of the year. There are only four would-be blockbuster releases coming to theaters before the end of the year: Warner Bros.’ “Black Adam (Oct. 21), and Disney’s “Black Panther: Wakanda Forever” (Nov. 11), “Strange World” (Nov. 23) and “Avatar: The Way of Water” (Dec. 16.). In 2019, there were nearly two-dozen blockbuster-style films slated on the calendar for the last four months of the year, including “Star Wars: The Rise of Skywalker,” which generated \$177 million in domestic ticket sales during its opening weekend.

Audiences have returned to cinemas in the wake of the coronavirus pandemic and are spending more than ever on tickets and popcorn. However, the lack of steady theatrical releases will weigh heavily on the industry during the final months of the year. AMC should be able to ride out this lack of content because of its significant cash stockpile. “You need your dry powder to guard against any type of disruptions,” Handler said. “I think they can limp along for many years with their current balance sheet.” Hollywood production has ramped back up, and the release calendar will improve in 2023 and beyond. Currently, the 2023 box office is expected to reach around \$9.5 billion in total ticket sales, according to estimates from Eric Wold, senior analyst at B. Riley Securities. For comparison, the 2019 box office reached \$11.4 billion.

“I think the outlook is positive for AMC with the potential to return to pre-pandemic box office by 2024,” he said.