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AMC: WHO'S CALLING THE SHOTS?[1]

Mary Kelly and Christopher Swann wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

> Moviegoing will exist for decades to come, as long as parents want to get away from their kids and kids want to get away from their parents.
>
> —Rich Greenfield[2]

INTRODUCTION

With the planned releases of must-see movies designed to be seen in the theatre—including *No Time to Die*, from MGM Studios (MGM); *Black Widow*, *Mulan*, and *Soul*, from the Walt Disney Company (Disney); and *Wonder Woman 1984*, from WarnerMedia—2020 began with the expectation that box office attendance for the year would be strong. However, by mid-March, optimism turned to despair when the COVID-19 pandemic closed movie theatres and forced studios to decide to either significantly delay movie releases or distribute content directly to home entertainment outlets. Consequently, domestic box office receipts (for the United States and Canada) hit a thirty-year low of just US$2.2 billion[3] in 2020, approximately 19 per cent of the box office receipts of the prior year.[4] Many theatre companies closed permanently, while others, including market leader AMC Entertainment Holdings, Inc. (AMC), held on by a thread. For 2020, AMC reported a loss of nearly $4.6 billion, and its stock price plummeted from $7.32 per share at the beginning of the year to approximately $2.00 per share by year end (see Exhibit 1).[5]

In early 2021, however, something strange began to happen. Driven by the meme stock craze, small retail investors bought AMC shares in droves.[6] Between January and May, the company's stock rose by over 1,100 per cent to $26 per share.[7] At the same time, research analysts, who tracked market trends, warned of continued headwinds. Citing mounting debt levels from deferred rents and concerns that box office receipts would not return to pre-pandemic levels because of the "explosion of high quality in-home entertainment and the shattering of historically rigid theatrical release windows," Rich Greenfield of LightShed Partners valued AMC's stock price in May at $0.01.[8] AMC's chair and chief executive officer, Adam Aron, took a different view. In the firm's first quarter (Q1) earnings call on May 7, he said, "We're not sugar-coating our reality. We know that AMC is losing money today, not making money today. And we know too and are so very well aware that there is enormous work ahead for us to steer AMC through to recovery. . . . We know, with the benefit of hindsight, that Sir Winston won his war, and we have every confidence in looking ahead that AMC will win ours."[9]

The first real test of whether there would be some return to normalcy—and with it, the ability to recover from the pandemic—was the Memorial Day weekend of 2021, the unofficial start to summer. With 72 per cent of domestic theatres open and the major chains removing mask mandates for vaccinated patrons, Disney's *Cruella* was released simultaneously to theatres and Disney+, as a premium video on demand (PVoD) movie for $30, and Paramount Pictures Corporation (Paramount)'s *A Quiet Place Part II* was released exclusively to theatres for a forty-five-day window.[10] By the end of the four-day weekend, nearly $100 million in box office sales had been recorded, with *Cruella* and *A Quiet Place Part II* earning $27 million and $57 million, respectively.[11] While total sales were below the historical average of $200 million for a Memorial Day weekend, they were well above the $842,000 collected in 2020.[12]

HISTORICAL OVERVIEW

The Jazz Singer, produced in 1927, was the first commercial feature film with synchronized sound. Its production company, Warner Brothers, was one of eight studios that in 1930 controlled 95 per cent of US film production, including creative talent (e.g., producers, actors, and directors).[13] Warner Brothers was one of five vertically integrated firms that also owned theatres.[14] Citing concerns that the studios were favouring their own cinema outlets when distributing movies, the US Supreme Court, in a landmark 1948 decision known as the Paramount Consent Decrees, ordered the studios to divest their theatre chains and modify some of their movie licensing practices.[15] The structural separation made it difficult for studios to buy or control theatre chains in the decades that followed.[16] The licensing requirements prohibited circuit dealing, which forced studios to license films on a theatre-by-theatre basis, even to operators who owned multiple theatres.[17]

For most Americans in the 1940s, going to the movies was an inexpensive form of entertainment that provided moments of escape from economic hardship and societal unrest. In 1946, the average ticket price was $0.35, and the number of tickets sold per person per year peaked at 34.29.[18] By the end of the 1950s, however, per capita ticket sales had dipped below 10, and they maintained this downward trend for the next six decades.[19] The reason for the decline was television (TV), which emerged as an alternative to going to the movies. Nearly 90.0 per cent of American households in 1959 had TV sets equipped with antennas to receive over-the-air terrestrial radio waves.[20] Individuals living in mountainous and remote areas, who were not able to get the broadcast signals using their own antennas, could pay monthly fees to cable operators that transmitted and distributed signals using local networks of community antennas and coaxial cables (i.e., pay-TV).

Beginning in the mid-1980s, households could rent or buy physical copies of movies from brick-and-mortar video stores and watch them on devices connected to their television sets. By the early 2000s, households could download digital movies using digital video recording (DVR) technology embedded in pay-TV set-top boxes, and by 2007, they could stream video content over the Internet. Movies became available for sale in these downstream channels at the conclusion of the exclusive theatrical windows negotiated between exhibitors and movie distributors. In 2001, the average length of the theatrical window was 172 days.[21] By 2019, it had shrunk to eighty-one days.[22] Just a year later, the pandemic and the associated disruption of normal theatrical operations reduced the window size even further. The year 2020 also marked the end of the Paramount Consent Decrees. Before the decrees were rescinded by a federal judge, who cited shifts in consumer preferences and technology as the reasons for his decision, a coalition of 236 independent cinema companies, the Indie Cinema Alliance (ICA), laid out its concerns:

> Streaming services with massive market power are the new, potentially scarier, "television." If they purchase cinemas, and throw around their ample weight, independent cinemas confront the predations of Big Distribution, Big Exhibition, *and* Big Streaming. On the other hand, if the Paramount Consent Decrees continue to be respected, the entry of behemoths like Amazon into the exhibition business would more likely be on terms that deterred Amazon from abusing its market power either to favour its own cinemas with its content or to punish fairly competing exhibitors with terms such as overbroad clearances.[23]

THE THEATRE BUSINESS

Compared to attending other forms of entertainment, such as concerts, sporting events, and theme parks, going to the movies was convenient and affordable. In 2020, the average movie ticket price in the United States was $9.18 (see Exhibit 2).[24]

Between 2015 and 2019, domestic (US and Canada) annual box office receipts averaged $11.37 billion.[25] In 2019, 76 per cent of the population aged two or older went to the movies, with the average moviegoer purchasing 4.6 tickets.[26] The gender, age, and ethnic characteristics of moviegoing audiences skewed toward male, younger, and Hispanic/Latino cohorts relative to their population shares.[27] While in recent years operators had upgraded the theatre experience with more amenities, including motion seats, large format theatres (including IMAX and Dolby), more and better concession choices, and dine-in options, getting people to go to theatres depended primarily on the quantity, quality, and timing of motion picture releases.[28]

For theatre operators, box office admissions represented the largest source of revenue.[29] Prior to a movie coming to theatres, exhibitors negotiated licensing terms, which specified the rental fees as a percentage of box office receipts, typically using a fixed rate, performance-based metric, or a sliding scale formula. Under a sliding scale, the studios' percentage take of ticket sales was highest during the first few weeks of exhibition and declined the longer a movie stayed in theatres. For most movies, the majority of the box office revenue, 75 per cent, was earned within the first seventeen days (including the first three weekends).[30]

Once inside the theatre, 71 per cent of movie attendees bought food and drink from the monopolist concession operators.[31] Although they were the second-highest revenue source, concession sales were the most profitable, with margins as high as 85 per cent on items such as popcorn and soda.[32] Ancillary revenues from loyalty programs and rental of space—for events such as worship services, e-sports competitions, and corporate events—accounted for the remainder of theatres' revenues.[33]

Approximately 60 per cent of domestic box office revenues were generated from three national theatre chains: AMC, Regal Entertainment Group (Regal), and Cinemark Holdings (Cinemark).[34] The number of competitors and their market concentration, however, varied from one local market to another. Factors that influenced the number of competitors in each geographical area included the attractiveness of real estate opportunities (location and price), the density of buyers, and demographics. The largest box office metro markets in the United States were Los Angeles and New York City, which represented 8.9 per cent and 7.4 per cent of ticket sales, respectively.[35]

Founded in 1920, AMC was the world's largest cinema company and had theatres throughout the United States (in forty-five states), Europe, and Saudi Arabia (see Exhibit 3). In 2012, Dalian Wanda Group (Wanda), a Chinese conglomerate, bought the firm for $2.6 billion.[36] A year later, it orchestrated its initial public offering (IPO). Wanda remained the firm's majority shareholder through Q1 of 2021.[37]

In 2016, AMC expanded its domestic footprint with the $1.1 billion purchase of Carmike, the fourth-largest US cinema chain, which had most of its locations in smaller markets. The Department of Justice approved this deal under the conditions that AMC sell fifteen theatres in markets where it competed with Caremike and that it divest a majority of its holdings in National CineMedia, an in-theatre advertising firm.[38] AMC also expanded its international reach with the 2016 purchase of Odeon and UCI Cinemas Holdings Limited—which had theatre locations in the United Kingdom, Ireland, Italy, Portugal, Spain, Germany, and Austria—and the 2017 purchase of Nordic Cinema Group, which had theatre locations in the Nordic and Baltic regions.[39] As of the end of 2020, AMC operated 590 theatres (7,668 screens) in the United States and an additional 360 theatres (2,875 screens) internationally. In the United States, nearly 44 per cent (3,342 of 7,668) of AMC's screens had premium seating. AMC also had 149 Dolby cinemas, 54 other premium large formats (PLFs), and 723 dine-in theatres.[40] It was the largest IMAX exhibitor in the United States, with a 56 per cent market share.[41] Nearly 45 per cent of those who attended movies at AMC theatres subscribed to one of the company's AMC Stubs loyalty programs.[42]

AMC's two largest national competitors were Regal and Cinemark. Operating in forty-two states and the District of Columbia under three theatre brands—Regal Cinemas, United Artists, and Edward Theatres—Regal was the second-largest US exhibitor, with 529 theatres (6,989 screens).[43] Regal was acquired by UK-based Cineworld in 2018 for $3.6 billion.[44] While Cineworld operated theatres in ten countries, the United States represented its largest market, accounting for approximately 70 per cent of its revenue. Like AMC, Regal had a membership loyalty program, Crown Club, that awarded credits toward tickets and concessions.[45]

Opening its first theatre in 1984, the third-largest theatre operator in the United States was Cinemark. Cinemark theatres were located in forty-two states and across fifteen Latin American countries.[46] The US market represented approximately 80 per cent of the firm's revenue. Based on box office revenues, Cinemark ranked either first or second in twenty of the firm's top twenty-five markets, including the San Francisco Bay Area, Dallas, Houston, and Salt Lake City. Cinemark had sixteen IMAX screens and 278 XD auditoriums. The XD auditoriums utilized digital projection and enhanced custom sound, including Barco Auro 11.1 or Dolby Atmos sound systems in select locations. The firm's Movie Club membership program entitled subscribers to earn points to apply to ticket purchases and concessions.[47]

THE STUDIOS: PARTNERS OR COMPETITORS?

Movie studios supplied content to the theatres, with the top five studios accounting for more than 75 per cent of domestic box office revenue in a typical year (see Exhibit 4).[48] Over the length of a movie's theatrical run, studios retained, on average, 50 per cent of the revenue from ticket sales.[49] For studios, attracting movie patrons was critical to covering the costs associated with the creation, marketing, and distribution of the movie and to establishing a strong movie brand for the home entertainment market. In addition to licensing content to third parties, most of the top studios competed in these downstream markets as the owners of broadcast networks, pay-TV networks, and streaming services.

Of the 680 movies released in 2019, the top fifty accounted for 76 per cent of domestic box office revenue and ticket sales.[50] Disney's action film *Avengers: Endgame* earned the top spot both domestically and worldwide, with $858 million and $2.8 billion in gross sales, respectively.[51] The movie was in domestic theatres for 8.1 weeks but earned 41.6 per cent of its gross revenue during its opening weekend.[52] Among the top fifty movies, Disney/20th Century Fox had twelve, followed by Warner Brothers, Universal Pictures (Universal), and Sony Pictures Entertainment Inc. (Sony) with eight each, and Paramount, with four.[53] By genre, thirty of the top fifty movies were either adventure or action films (see Exhibit 5).[54] Between 2015 and 2019, the top performing genres at the box office, based on revenue per movie, were adventure, action, and musicals (see Exhibit 6).

Action and adventure movies were often the most expensive to produce because, in addition to payments for creative talent (e.g., actors, directors, and producers), they involved hefty expenditures for special effects, costumes, and editing. There were also added post-production costs for marketing and distribution, which could add 50 per cent or more of the production budget to the all-in budget.[55] These outlays were made before anyone sat in a theatre seat to watch a movie.

Since the mid-2000s, mergers and acquisitions and organic product extensions had expanded the scale and reach of the top studios. For example, Disney spent more than $15 billion enlarging its content library between 2006 and 2012.[56] It acquired Pixar Animation Studios in 2006, for $7.4 billion; Marvel Studios in 2009, for $4 billion; and Lucasfilm Ltd. in 2012, for $4 billion.[57] Then in 2019, it purchased the film and TV assets of 21st Century Fox, paying $71.3 billion and outbidding Comcast Corporation.[58] The acquisition included 21st Century Fox's content library, movie studios (20th Century Fox and Fox Searchlight), TV networks (FX and National Geographic), and its 30 per cent share in the streaming service Hulu.[59]

AT&T Inc. (AT&T), meanwhile, entered the content business in 2019 by acquiring Time Warner for $85 billion.[60] The vertical merger, challenged by the Department of Justice in court but approved unconditionally by a federal judge, added studio production, cable networks, and premium and streaming services to one of the country's largest telecommunications and pay-TV providers.[61] In May 2021, just two years after the Time Warner deal closed, AT&T announced plans to sell its media assets for $43 billion to Discovery Communications, which owned a portfolio of domestic and international cable channels and Discovery+, a streaming service launched in 2021.[62]

In December 2019, the merger of the two halves of the Redstone family media empire, CBS and Viacom, was completed for $12 billion.[63] The deal combined Viacom's Paramount Pictures, ad-supported streaming platform Pluto, and cable channels (such as MTV, Comedy Central, and BET) with the CBS broadcast networks Showtime and Pop, twenty-eight owned and operated TV stations, CBS All Access, and the publishing firm Simon & Schuster.[64]

In May 2021, Amazon.com, Inc. (Amazon) announced plans to acquire the iconic but beleaguered studio MGM for $8.45 billion.[65] The acquisition provided the Internet powerhouse with more than 4,000 movies and 17,000 television shows, including the James Bond franchise.[66] If approved by antitrust regulators, MGM's "treasure trove" of intellectual property was expected to bolster Amazon Studios' content library, with the objective of enticing consumers to sign up for its streaming service, Prime Video.[67]

VIDEO STREAMING: COMPLEMENT OR SUBSTITUTE?

In 2020, the value of the US home entertainment market was over $30 billion, with subscription video on demand (i.e., streaming) accounting for 70 per cent (see Exhibit 7). According to the Leichtman Research Group, 82 per cent of US households subscribed to at least one streaming service, with 51 per cent subscribing to three or more.[68] The video streaming industry had its start in 2007, when Netflix Inc. (Netflix) offered its DVD-by-mail subscribers the additional service of streaming limited content to their computers.[69] As the first mover and the firm synonymous with streaming, Netflix had had a greater than 30 per cent share of the market for over a decade. In spite of the entry of competitors, Netflix remained the market leader in 2020, with a 20 per cent share of streamed minutes, followed by Amazon's Prime Video, with 15 per cent.[70] Other market participants were Disney+, with a 13 per cent share; HBO Max, with 12 per cent; Peacock, with 5 per cent; Apple TV+, with 5 per cent; and Paramount+ and Showtime, with 3 per cent each.[71]

Subscription prices for streaming services varied considerably and were based on such factors as the extensiveness of the firm's content library of movies and television shows, the number of household accounts allowed, signal quality, inclusion or exclusion of advertisements, and bundling deals with other services offered by the firm (see Exhibit 8). For example, Netflix had a tiered pricing schedule that began at $8.99 per month and stepped up based on the number of household accounts and video quality. Amazon Prime was sold as a stand-alone service for $8.99 per month or bundled with Amazon's annual Prime membership fee of $119 per year. Tech giant Apple Inc. sold its streaming service, Apple TV+, for $4.99 per month or provided it free for a limited time with a purchase of an Apple device.[72]

With few entertainment options available during the pandemic, the demand for digital content accelerated. Consumers, stuck at home, began viewing streaming subscriptions as utility services instead of discretionary spending items.[73] The studios released movies to streaming platforms as PVoD, often at the same time they were released to theatres, as a perk to existing subscribers and a ploy to attract new ones. The first film released as a PVoD, or premium add-on, was Disney's *Mulan*, in 2020. Other PvoDs released by Disney included *Raya and the Last Dragon*, *Cruella*, *Black Widow*, and *Jungle Cruise*, in 2021. As of October 2020, 35 per cent of consumers surveyed by Deloitte reported that they had watched PVoD releases.[74]

In 2020, Netflix had the top ten acquired and nine of the top ten original episodic programs, based on minutes streamed.[75] Disney+ topped the leader board for movies, holding seven of the top ten spots, including number one, for *Frozen II*, which represented 15.9 million streamed minutes, and number two, *Moana*, with 10.5 million streamed minutes.[76] According to Nielsen, eight of the top ten movies were kids' titles as, unlike adults, children would watch and re-watch their favourite movies.[77]

LET'S MAKE A DEAL

In 2020, the top ten movies for the year, all released in late 2019 or in Q1, accounted for 54 per cent of ticket sales.[78] Sony's triquel, *Bad Boys for Life*, released in January, topped all movies with twenty-two million in tickets sold and $204 million in gross sales.[79] For the year, only forty-three movies had ticket sales that exceeded one million, and only nine of those were in theatres after March.[80] Sony, with sixteen movies appearing in theatres in 2020, had the largest market share, with 20.9 per cent.[81] It was followed closely by Universal, with a share of 19.6 per cent.[82] The highest grossing movie released outside Q1 was Warner Brothers's *Tenet*,[83] which was released in early September and sold 6.3 million tickets despite the two largest theatre markets, Los Angeles and New York, being closed.[84]

As the year progressed and the likelihood of a return to normalcy diminished with each passing weekend, the studios began renegotiating contractual terms with exhibitors. One of the first such agreements was AMC's agreement with Universal, in July 2020, which allowed a seventeen-day (three weekend) to thirty-one-day (five weekends) exclusive theatrical window, followed by a sharing of revenues from PVoD sales.[85] Other studios made movie-by-movie decisions to either postpone releases, go straight to PVoD, or distribute simultaneously to theatres and a streaming platform.

In December, when Warner Brothers released *Wonder Woman 1984* simultaneously in theatres and on its streaming platform, HBO Max, it announced that its entire 2021 slate of movies would be released in the same fashion. The producer of *Tenet*, Christopher Nolan, was highly critical of his home studio's decision, stating, "Their decision makes no economic sense, and even the most casual Wall Street investor can see the difference between disruption and dysfunction."[86]

Deal-making between studios and exhibitors continued in 2021, with the major outcome being a 50 per cent reduction in the theatrical window compared to the pre-COVID-19 period (see Exhibit 8). In other deals, studios exclusively licensed the rights to films immediately after their theatrical runs. These "pay 1 window" rights were multi-year agreements. For example, Sony negotiated a five-year deal with Netflix, beginning in 2022, that gave the streaming platform first pay window rights to Sony's movies.[87] In June 2021, Paramount Pictures secured a pay 1 deal with Epix, the premium cable and satellite network owned by MGM.[88] The terms of the agreement allowed the studio to send select titles to Paramount Plus after their theatrical runs and before going to Epix.[89]

CALLING THE SHOTS

Six weeks after the start of summer, the next big test of people's willingness to return to movie theatres came with the July 4th holiday. With nearly 80 per cent of theatres open, the four-day weekend gross was nearly $100 million, with three franchise films distributed by Universal Pictures: *F9: The Fast Saga*, *The Boss Baby: Family Business*, and *The Forever Purge* topped the charts with domestic ticket revenue of $29.1 million, $19.7 million, and $15.8 million, respectively.[90] The weekend also saw *The Quiet Place II*, in its last weekend in theatres before heading to Paramount+, accumulate $145.6 million in total gross domestic ticket sales.[91]

After a month in theatres, one of the few movies Sony had released to theatres since the start of the pandemic, *Peter Rabbit 2: The Runaway*, brought in over $35 million in ticket sales, representing more than half of the studio's gross theatrical revenue for the year.[92] Several of Sony's movies originally produced for theatres, including *Cinderella*, *Vivo*, *Fatherhood*, and *Happiest Season*, were licensed instead to third-party streaming services. *Cinderella* went to Amazon Prime, *Vivo* and *Fatherhood* to Netflix, and *Happiest Season* to Hulu.

The July 4th weekend also saw AMC's stock top $50 per share—doubling its value from just six weeks earlier.[93] AMC's chief executive officer Aron, who had stated the firm's interest in issuing twenty-five million shares to raise additional capital, backed away from those plans when retail investors, who represented 80 per cent of the ownership interest in the firm, collectively expressed displeasure with the decision on social news and discussion website Reddit, saying it would dilute the value of current shares. (AMC had issued 100 million shares earlier in 2021 to bring the total shares outstanding to 513 million; the company charter allowed only 524 million shares to be outstanding.)[94] Aron tweeted on July 6, "It's no secret I think shareholders should authorize 25 million more AMC shares. But what YOU think is important to us. Many yes, many no. AMC does not want to proceed with such a split. So, we're cancelling the July vote on more shares. And no more such requests in 2021."[95]

Given pushback from retail investors, consumers, and studios in the capital, product, and resource markets; expansive growth in the adjacent streaming market; and possible forward integration of studios and tech firms (e.g., Amazon) into exhibition, with the dissolution of the Paramount Consent Decrees, what did embattled AMC need to do to win its war and be a thriving enterprise in the years ahead?

EXHIBIT 1: AMC ENTERTAINMENT HOLDINGS, INC. SHARE PRICE, DECEMBER 2015 TO DECEMBER 2020 (US$)

Note: $100 invested in AMC Entertainment Holdings, Inc. (AMC) in December 2015 was worth $39.45 in December 2019 and $11.63 in December 2020. By comparison, the same $100 invested in the S&P 500 was worth $171.49 and $203.04 at the end of 2019 and 2020, respectively. Meanwhile, a $100 investment in AMC's Peer Group was worth $93.07 at the end of 2019 and $56.64 at the end of 2020. AMC Entertainment Holdings, Inc., *Form 10-K Report for Fiscal Year Ended December 31, 2020*, AMC Theatres, March 12, 2021, https://investor.amctheatres.com/financial-performance/sec-filings/sec-filings-details/default.aspx?FilingId=14794680.
Source: Created by the case authors using data from "AMC Entertainment Holdings, Inc. (AMC)," Yahoo Finance, accessed January 11, 2022, https://finance.yahoo.com/quote/AMC/history?period1=1420070400&period2=1624320000&interval=1d&filter=history&frequency=1d&includeAdjustedClose=true.

EXHIBIT 2: DOMESTIC BOX OFFICE STATISTICS

Year	Box Office Revenue ($M)*	Attendance (M)*	Avg. Ticket Price ($)	Number of Theatres**	Number of Indoor Screens**
2011	10,180	1,280	7.93	5,331	38,974
2012	10,790	1,360	7.96	5,317	39,056
2013	10,920	1,340	8.13	5,326	39,368
2014	10,400	1,270	8.17	5,463	39,356
2015	11,120	1,320	8.43	5,484	39,411
2016	11,372	1,314	8.65	5,472	40,009
2017	11,091	1,236	8.97	5,398	39,651
2018	11,880	1,304	9.11	5,482	40,313
2019	11,400	1,244	9.16	5,548	40,613
2020	2,205	240	9.18	5,477	40,449

Notes: *Revenue and attendance figures from the United States and Canada; dollar amounts are in US dollars; **by comparison, in 1995, there were 7,151 theatres and 26,995 screens; M = millions.
Source: Chart created by the case authors based on data from National Association of Theatre Owners, "Exhibition Data and Statistics," NATO: National Association of Theatre Owners, January 11, 2022, https://www.natoonline.org/data/.

EXHIBIT 3: MAJOR THEATRE COMPANIES COMPARED

	AMC		Cineworld (Regal)		Cinemark	
	2020	2019	2020	2019	2020	2019
United States						
Number of Theatres	590	636	527	546	331	345
Number of Screens	7,668	8,094	6,989	7,178	4,507	4,645
Attendance (M)	46.5	250.4	30.1	177.3	34.9	176.2
Revenues ($M)						
Admissions	455.50	2,388.20	280.30	1,859.60	291.60	1,431.80
Food & Beverage	258.50	1,348.00	161.10	953.90	189.60	936.20
Other Revenue	112.70	287.00	134.50	396.10	75.70	212.90
Total Revenue	826.70	4,023.20	575.90	3,209.60	556.90	2,580.90
Cost of Operations ($M)						
Film Exhibition Costs	223.00	1,311.50	n/a	n/a	155.30	819.60
Concession Supplies	59.10	193.80	n/a	n/a	36.90	156.90
Rent	650.70	708.20	n/a	n/a	247.00	259.80
Other	2,514.40	1,725.40	n/a	n/a	n/a	n/a
Total Cost of Operations	3,447.20	3,938.90	n/a	n/a	n/a	n/a
International						
Number of Theatres	360	368	240	241	200	209
Number of Screens	2,875	2,947	2,322	2,322	1,451	1,487
Attendance (M)	28.7	106.1	24.3	97.7	19.4	103.4
Revenues ($M)	415.70	1,447.80	276.40	1,160.10	129.40	702.20
Consolidated						
Revenue ($M)	1,242.40	5,471.00	852.30	4,369.70	686.30	3,283.10
Operating Costs & Expenses ($M)	5,345.10	5,335.00	3,110.00	3,645.00	1,441.28	2,944.71
Operation Income ($M)	(4,102.70)	136.00	(2,257.70)	724.70	(754.98)	338.39

Note: AMC = AMC Entertainment Holdings, Inc.; M = millions; dollar amounts are in US dollars.
Source: AMC Entertainment Holdings, Inc. *Form 10-K Report for Fiscal Year Ended December 31, 2020*, AMC Theatres, March 12, 2021, https://investor.amctheatres.com/financial-performance/sec-filings/sec-filings-details/default.aspx?FilingId=14794680; Cineworld Group Plc, *The Best Place to Watch a Movie: Annual Report and Accounts 2020*, Annual Reports.com, accessed July 15, 2021, https://www.annualreports.co.uk/HostedData/AnnualReports/PDF/LSE_CINE_2020.pdf; Cinemark Holdings, Inc., *Form 10-K for Fiscal Year Ended December 31, 2020*, February 26, 2021, https://ir.cinemark.com/sec-filings/annual-reports.

EXHIBIT 4: STUDIO PERFORMANCE AT THE DOMESTIC BOX OFFICE, 2015–2019

Rank	Distributor	No. of Movies	Total Box Office (US$M)	Tickets (M)	Average Market Share (%)
1	The Walt Disney Company	70	14,542	1,636	25.66
2	AT&T–Warner Brothers	195	9,014	1,017	15.93
3	Comcast–Universal Pictures	111	8,462	961	14.96
4	20th Century Fox*	101	5,682	646	10.06
5	Sony Pictures	125	5,611	631	9.89
6	ViacomCBS–Paramount Pictures	77	3,401	385	6.00
7	Lions Gate	114	3,320	375	5.91
8	STX Entertainment**	38	1,063	119	1.87
9	Focus Features***	58	798	90	1.41

Notes: M = millions; *acquired by Disney in 2019; **merged with Eros International in 2020 and became ErosSTX; ***division of Universal Pictures.
Source: Created by the case authors using data from Nash Information Services, LLC, "Market Share for Each Distributor 1995–2021," The Numbers, accessed July 15, 2021, https://www.the-numbers.com/market/distributors.

EXHIBIT 5: TOP FIFTY MOVIES IN 2019, BY GENRE

Genre	Domestic Tickets Tickets Sold (M)	Domestic Gross Revenue ($M)	Opening Weekend % of Domestic Revenue	Avg. Weeks in Theatres	Worldwide Gross Revenue ($M)	Domestic Video Sales ($M)
Action	292.35	2,877.43	35.98	5.71	9,061.94	571.98
Adventure	390.22	4,053.90	31.74	6.57	10,804.92	648.29
Comedy	36.86	314.98	29.53	5.68	528.96	41.65
Drama	72.88	615.30	24.33	6.13	1,335.23	101.75
Horror	38.72	354.69	33.53	5.47	793.69	40.90
Romantic Comedy	8.00	159.23	23.20	6.30	366.61	7,218.68
Thriller/Suspense	90.61	791.25	33.08	6.08	2,028.65	123.19
TOTAL or AVERAGE	929.65	9,166.78	31.60	6.11	24,920.00	1,534.98

Notes: M = millions; dollar amounts are in US dollars; of the top fifty movies, eighteen were adventure, twelve were action, seven were drama, five were thriller, four were comedy, three were horror, and one was romantic comedy.
Source: Chart created by the authors using data from Nash Information Services, LLC, "Domestic Theatrical Market Summary for 2019," The Numbers, accessed July 15, 2021, https://www.the-numbers.com/market/2019/summary.

EXHIBIT 6: RANKING OF TOP GENRES BY GROSS DOMESTIC REVENUE PER MOVIE, 2015–2019

Genre	Movies	Gross Revenue ($M)	Revenue/ Movie ($M)	Top Performing Movie (Studio, Release Year, Inflation-Adjusted Gross Box Office)
Adventure	247	16,801.49	68.02	*Star Wars Ep. VII: The Force Awakens* (Disney, 2015, $1B)
Action	301	15,841.99	52.63	*Avengers: Endgame* (Disney, 2019, $858M)
Musical	42	1,683.11	40.07	*Beauty and the Beast* (Disney, 2017, $515M)
Horror	167	3,701.70	22.17	*It* (Warner Bros., 2017, $334M)
Thriller/Suspense	301	3,979.40	13.22	*Joker* (Warner Bros., 2019, $335M)
Comedy	429	5,023.02	11.71	*Pitch Perfect* (Universal, 2015, $184M)
Black Comedy	52	484.97	9.33	*Three Billboards Outside Ebbing MO* (Fox Searchlight, 2017, $55M)
Western	32	273.70	8.55	*The Magnificent Seven* (Sony Pictures, 2016, $99M)
Romantic Comedy	100	803.29	8.03	*Crazy Rich Asians* (Warner Bros., 2018, $175M)
Drama	1,316	7,605.66	5.80	*Cinderella* (Disney, 2015, $219M)

Notes: M = millions; B = billion; dollar amounts are in US dollars; additional genres included concert/performance, multiple genres, documentary, and education.
Source: Chart created by the authors using data from Nash Information Services, LLC, "Market Share for Each Genre 1995–2021," The Numbers, accessed July 15, 2021, https://www.the-numbers.com/market/genres.

EXHIBIT 7: AT-HOME ENTERTAINMENT SPENDING IN THE UNITED STATES (US$ MILLIONS), 2015–2020

	2020	2019	2018	2017	2016	2015
PHYSICAL						
SALES	2,451	3,293	4,030	4,716	5,491	6,070
RENTAL						
Brick and Mortar	n/a	250	317	389	488	616
Subscription	n/a	301	369	455	548	659
Kiosk	n/a	885	1,098	1,272	1,515	1,732
Total Rental	1,044	1,436	1,784	2,116	2,550	3,007
DIGITAL						
Electronic Sell-Thru	2,997	2,583	2,458	2,154	2,037	1,907
VOD	2,316	1,958	2,087	1,965	2,105	1,968
Subscription	21,216	15,898	12,849	9,927	7,287	5,082
Total Digital	26,530	20,439	17,394	14,046	11,429	8,957
GRAND TOTAL	**30,025**	**25,167**	**23,208**	**20,878**	**19,470**	**18,035**

Note: VOD = video on demand.
Source: Chart created by the authors using data from Digital Entertainment Group (DEG), "Industry Data," DEG, accessed July 15, 2021, https://www.degonline.org/industry-data/.

EXHIBIT 8: STRATEGY AND PARTNERSHIP DEALS, BY TOP STUDIOS

Studios	Streaming Platforms (monthly prices) and Strategy/Partnership Deals
The Walt Disney Co.	Hulu ($6.99 with ads or $11.99 without ads); Disney+ ($7.99); ESPN+ ($5.99); as a bundle ($13.99 with ads); Hulu with Live TV ($64.99 with ads, $70.99 without ads, and $72.99 when bundled with Disney+ and ESPN+) *Free Guy* and Marvel Studio's *Shang Chi and Legend of the Ten Rings* were the first movies since the start of the pandemic to go exclusively to theatres. The theatrical window was set at forty-five days. Thereafter, the movies were made available on Disney+. 20th Century Fox movies were licensed to HBO/HBO Max through 2022. Beginning in 2022, Disney had a pay 2 window deal to license Sony Pictures Entertainment Inc. (Sony) movies. The pay 2 window began at the conclusion of the eighteen-month Netflix pay 1 window.
AT&T–Warner Bros.	HBO Max/Now ($9.99 with ads or $14.99 without ads) Movies slated for 2021 (e.g., *Wonder Woman 1984*) were simultaneously released to theatres and HBO Max. The firm planned for 2022 movies to appear in theatres exclusively for forty-five days before going to HBO Max.
Comcast–Universal	Peacock (free for basic service, $4.99 with ads, or $9.99 without ads) An agreement was reached with the theatre chains to keep movies in theatres for seventeen days or thirty-one days (> $50 million in the opening weekend). Thereafter, films would be licensed for home entertainment. Through 2021, Universal Pictures had pay 1 window deals with HBO/HBO Max and Netflix and a pay 2 relationship with its streaming service, Peacock. Beginning in 2022, all Universal films (including those from Universal Pictures, Illumination, Focus Features, and DreamWorks Animation) went exclusively to Peacock for the first four months and last four months of the eighteen-month pay 1 window.
Sony Pictures Entertainment Inc.	No streaming service A five-year deal with Netflix, starting in 2022, gave the streaming platform first pay window rights for all Sony movies at the expiration of the theatrical window. Netflix also secured first look for any direct-to-streaming titles from Sony.
ViacomCBS–Paramount	Paramount+/CBS All Access ($4.99 with ads or $9.99 without ads); Showtime ($10.99) With the release of *A Quiet Place II*, Paramount Pictures announced that the theatrical window would be forty-five days and shorter (thirty days) for smaller movies. Paramount had pay 1 deals with Paramount+ and MGM's Epix. Epix also had pay 2 window rights to Paramount films through 2023.

Note: The price of Lionsgate's streaming service, Starz, was $8.99 per month; dollar amounts are in US dollars.
Source: Chart created by the authors using company news releases and websites; Kaare Eriksen, "Future of Film Output Deals Set at Every Studio but Universal Pictures," *Variety*, May 12, 2021, https://variety.com/vip/future-of-film-output-deals-set-at-every-studio-but-universal-pictures-1234971084/; "Plans and Prices," Hulu, accessed July 15, 2021, https://help.hulu.com/s/article/how-much-does-hulu-cost; HBOMax (website), accessed July 15, 2021, https://www.hbomax.com/; Peacock (website), accessed July 15, 2021, https://www.peacocktv.com/; Paramount Plus (website), accessed July 15, 2021, https://www.paramountplus.com/?gclsrc=aw.ds&ds_rl=1289065&ref=__iv_p_1_g_115989850264_w_aud-475770407208:kwd-1212634995281_h_9007275_ii__d_c_v__n_g_c_524115013396_l__t__e__r__vi__&ftag=PPM-02-10aeg8j&vndid=google$null$null$how%20to%20stream%20paramount%20plus&gclid=Cj0KCQiAuP-OBhDqARIsAD4XHpcAYkHuPSQOApl7vN9c-ZUY_7lhMA2HBSPkdTwwNrF19MHDj0o4T4AaAo4ZEALw_wcB&gclsrc=aw.ds&_ivgu=d570ac73-ef58-425c-844c-46f20d965d7d; Showtime (website), accessed July 15, 2021, https://www.showtime.com/?s_cid=pse-default-10464&ds_rl=1277617&gclid=Cj0KCQiAuP-OBhDqARIsAD4XHpfLBznzqBwpZgGqLfb51uxN0YznqDH68xMKQlj-5euwjXBxWZvsrkkaArKqEALw_wcB&gclsrc=aw.ds.

ENDNOTES

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[94] Etan Vlessing, “AMC Backs Away from Listing 25M More Shares In Nod to Retail Traders,” *Hollywood Reporter*, July 6, 2021, https://www.hollywoodreporter.com/business/business-news/amc-withdraws-25m-share-increase-proposal-from-shareholder-vote-1234977921/.
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