



Comments by John Fithian

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CinemaCon State of the Industry

Las Vegas, Nevada

March 29, 2011

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Thank you, Senator, for being with us today and congratulations once more. The partnership between the MPAA and NATO remains strong as we jointly battle the evils of movie theft and work to protect and enhance our voluntary rating system. With twenty-five percent of all web traffic being consumed by illegal content, NATO will be working hard with you to lobby for tougher laws on rogue web sites, just as our members continue to fight camcording in the trenches. We welcome your energy and leadership, Senator Dodd, to these fundamental challenges.

On behalf of our members and staff who created this convention, I want to thank all our delegates for making the decision to spend some time with us. We're working hard to make sure the week is valuable for you. And we really appreciate your support.

Many people helped to create CinemaCon, including NATO's officers, led by Chairman Tony Kerasotes, our Board, a task force of volunteer member leaders, our honorary chairpersons, and our staff. But I need to single out three people for significant recognition. The first two, Phil Harris and Bill Stembler, have provided strategic leadership to our convention planning efforts for four solid years as member volunteers. The third guy, Mitch Neuhauser, is simply a tireless, generous, thoughtful professional who made this event happen. Bob Sunshine taught him well, and I am delighted that we hired Mitch. Let's say thanks to Phil, Bill and Mitch for putting this all together.

Thanks also to the strong support of our studio partners, sponsors, trade floor exhibitors and seminar participants for your substantial contributions. And of course, thanks to our industry partners at the International Cinema Technology Association, led by President Jack Panzeca; and the National Association of Concessionaires, led by President Ron Krueger II. Jack and Ron join me to encourage all of you to visit the wonderful trade floor and witness the magic their members are creating there. Alfred Hitchcock once said: "For me, the cinema is not a slice of life, but a piece of cake." I feel the same way.

It remains a great time to be in the cinema business. Global box office receipts have climbed 30% over five years to a record high of 31.8 billion dollars in 2010, and domestic box office has climbed 15% to 10.6 billion. The rate of inflation, by comparison, rose only 8% during the past five years. Compare that to other segments of the entertainment industry, such as home video, where sales have declined by 13% over the past five years.

The first quarter of 2011 has been difficult. But that is a function of the movies in the market. Beginning in May, we expect those comps to improve substantially. The strength of the studio product being shown here this week demands confidence in the industry's immediate future. You can just feel the buzz from the movies highlighted last night, this morning, and all through the week.

The movies drive our business. Another reason for theatrical box office growth is innovation. Our members around the world have invested billions in stadium seating, luxury cinemas, enhanced food and beverage choices, and of course, digital cinema and 3D. The digital revolution has simply exploded since a year ago. Here in the U.S., we have

nearly 16,000 digital screens out of a total of 39,000. Almost 9,000 of those digital screens are equipped to project in 3D. We will add thousands more this year.

For any exhibitor who can hear my voice who hasn't begun your digital transition, I urge you to get moving. The distribution and exhibition industries achieved history when we agreed to technical standards and a virtual print fee model to enable this transition. But the VPFs won't last forever. Domestically, you must be installed by the end of 2012 if you want to qualify. Equally significantly, based on our assessment of the roll-out schedule and our conversations with our distribution partners, I believe that film prints could be unavailable as early as the end of 2013. Simply put, if you don't make the decision to get on the digital train soon, you will be making the decision to get out of the business.

That would be tragic, because digital cinema and 3D have so much to offer. There are 34 3D movies scheduled in 2011, compared to 25 last year. And 3D grosses are driving the box office. In 2010, 3D grosses constituted 21% of total receipts, double the number in 2009. Take advantage of the digital equipment displays and demonstrations throughout this week. Listen to the leading filmmakers who will talk tomorrow and Thursday about digital movies. Watch the amazing quality of the movies projected in the Colosseum on the latest digital technologies. Attend the seminars tomorrow morning that will focus on digital issues. And remember, the train is leaving the station. Will you be on it?

Some of our members have asked me what I think about the future of our business. They want to know if they should invest in digital technologies, or ride it out until the end of film prints and then do something else. I tell them that the long-term future of exhibition looks quite good to me. Consider the fact that admissions have climbed substantially in each of the past four decades. Sure, we have our cyclical ups and downs. But the number of tickets sold grows consistently over the long term.

I like to look at demographic data to help predict the future. Two population trends in this country point toward sustained growth. First, the fastest growing part of our population, Hispanics, are the most avid movie-goers. Just last Thursday the U.S. Census Bureau released its first national findings from the 2010 census, and found that there are more than 50 million Hispanics in the country today, accounting for one out of six people. By 2050, the Bureau predicts that Hispanics will constitute one out of three residents in this country. And Hispanic per capita movie attendance averages seven times a year, compared with four visits for other ethnicities.

I am also encouraged by a strong general birth rate in the United States. Our annual birthrate exceeds that in most other developed cinema markets, including Europe, Canada, Australia and Japan. A strong birth rate means more young people, and young people come to the movies a lot. Americans aged 12 – 17 account for 8% of the population, but more than 15% of the movie tickets sold.

Yes, we have a growing older population too, and we need to serve them better. I am encouraged by the recent successes of movies like *True Grit*, *the King's Speech*, *the Black Swan*, and *the Fighter* that appeal to older audiences. Last year patrons over the age of 60 bought 11% of our movie tickets, compared to 3% in 1975.

Before I close I want to turn for a moment to the international marketplace and congratulate our exhibitor members overseas. Box office outside the U.S. and Canada last year exceeded 20 billion dollars for the first time, and accounted for an amazing 67% of total global box office. The regions of Latin America and Asia/Pacific each grew by more than 20% in a single year. Those are stellar numbers.

At the same time, global exhibition is coming together to fight our common battles. In Europe, our partners at the Union Internationale des Cinémas have strengthened their continental association and created a presence in Brussels. In Australia, a once-fractured industry is coming together in a national association. In Russia, a national association is growing for the first time as well. And NATO is helping to unite the world of exhibitors.

In unity there is strength. And our common issues demand that. In an era of digital downloads, a stolen movie in the Ukraine or the U.S. can have equal impact on exhibitors everywhere. The digital cinema standards and business models developed in one country affect the roll-out in all others. And exhibitors everywhere are united in their passion for a strong theatrical release window.

As we embark on our very first CinemaCon, we also stand on the threshold of a new era in exhibition. The digital transformation of the industry brings together cutting edge technology with the most ancient human need—the desire to gather together in the dark to hear the stories of our lives in the flickering light. As we discuss new technologies this week, see the new stories that are coming to our theaters, sample the concessions and amenities that make our patrons' experience more enjoyable, let us remember that satisfying that need secures the future of our industry.

I look forward to seeing you all in the hallways, on the trade floor, and in the Colosseum as we celebrate this wonderful industry of ours. Thank you.