NATO
THE NATIONAL ASSOCIATION OF THEATRE OWNERS

Talking Points ...

State of the Industry

"In 2006, the U.S. box office improved 5.5% to $9.5 billion. The year was important because it challenged the pessimism of critics as well as reversed a 3-year period of falling box office and attendance. ... The reality is that film slates matter, which we think will be again proven in 2007."

— William Kidd & Jung Hwang, CPA, Wedbush Morgan Securities Report (April 12, 2007)

"Admissions numbers are nearly impossible to predict. The box office before has seen cycles of one or two down years, then it comes roaring back. You can be a couple of hits away from a great year."

—James Rutherford, Exec. VP Investment Banking, Veronis Suhler Stevenson, *Variety* (Aug. 15, 2005)

2007 box office hit a record $9.629 billion, on 1.4 billion admissions—the second year in a row of box office and admissions growth.

The long-term trajectory for the cinema industry is GROWTH.

30-year upward trend in box office and admissions.

Decade	Average Annual Admissions
1971-80	995 million/year
1981-90	1.13 billion/year
1991-2000	1.28 billion/year
2001-07	1.45 billion/year

DVDs and other in-home technologies—within a properly structured release window—are not a threat to movie theatres. Theatre box office and admissions rose right along with the growth of DVDs. DVD sales are now declining following the 2003-05 theatrical downturn.

The summer of 2007 set a record for box office with more than $4 billion. Summer 2008 looks strong, but comparisons with the previous summer will be difficult.

Product drives the cinema business. When the movies are good, people leave their homes in droves for the big screen. When the movies are not as good, we see a dip.