

Digital Cinema

- We've grown from **192** theater screens with digital projectors at the end of 2005 to more than **17,000 screens** (out of 39,344).
- The three members of Digital Cinema Implementation Partners—AMC Entertainment, Cinemark, and Regal Entertainment—have secured a \$220 million term loan facility that will be utilized to deploy digital projection systems. The new debt has been rated Baa1 by Moody's Investors Services. Combined with its original capital funding in March of 2010, DCIP has now successfully raised a total of \$880 million, which will be sufficient to complete the deployment of nearly 15,000 digital projection systems in the United States and Canada. DCIP has deployed more than 7,000 digital projection systems to more than 1,000 theatres since March 2010.
- Right behind DCIP is integrator Cinedigm and NATO's Cinema Buying Group. Critical to the mission of ensuring a smooth and fair digital transition is NATO's administration of the CGB, an organization of more than 600 independent exhibitors. Some CBG exhibitors capable of securing financing have already begun their roll-out, and broader integration funding is just around the corner.
- Digital cinema brings **consistent quality** to the movie-going experience—moviegoers will see the same crispness and clarity in the movie throughout the life of its exhibition.
- Digital cinema and networking open up multiple avenues for **alternative content**: concerts, opera, sporting events, even video games. Local cinemas can become more like entertainment meccas, gathering points for diverse communities.
- Digital cinema gives exhibitors greater **flexibility** in adding screens for surprise hits and replacing films that are not so popular.
- Digital cinema facilitates and enhances exciting new technologies like **3D**. There are more than **11,000 3D screens** in the United States and Canada. Exhibitors have added between 400-600 3D screens/month in the last six months. The increased digital infrastructure, combined with more than 30 3D movies in 2011, is driving box office receipts higher. 3D accounted for \$2.2 billion of the \$10.56 billion domestic box office in 2010—an increase of 91% over 2009.
- Early signs indicate that the new and improved 3D cinema experience will be a significant enticement for people to come to the theater. In 2010, 3D receipts constituted 21% of the total North American gross—double the number in 2009.
- Any remaining doubt about the power of 3D exhibition evaporated with the runaway success of Jim Cameron's *Avatar*. With more than \$740 million in domestic box office and more than \$1.9 billion overseas, *Avatar* confirmed the economic potential of this new technology.
- Both production and distribution are cheaper in digital, which lowers the cost barrier for **independent films**.
- The financial benefits of digital distribution accrue to distributors, who stand to **save \$1 billion annually in print and distribution costs**. That is why current business models provide for some financing of the digital cinema transition by distributors in the form of a "virtual print fee."



Talking Points