



National Association of Theatre Owners

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CinemaCon State of the Industry
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Thank you to our friend, Chris Dodd, and the entire MPAA team for your support. Thank you also to our convention partners at the National Association of Concessionaires, led by Jeff Scudillo, and the International Cinema Technology Association, headed by Joe DeMeo.

I am particularly thrilled that Bill Campbell received the Marquee award this morning. For many years Bill has worked tirelessly and intelligently to protect and preserve independent cinemas in this country, and he justly deserves our industry's highest honor.

To Chris Aronson and your boss Jim Gianopulos, we have more than five billion reasons to be grateful. What an amazing year 20th Century Fox had. And Jim, it will be our pleasure to honor you on Wednesday as we all join together to support the Motion Picture Pioneers.

And speaking of bosses, I'm a bit sad that this will be the final CinemaCon with David Passman as NATO's Chairman, as his term runs out this fall. To the helm of NATO's Board, David brought strong leadership, common sense, and the ability to find common ground. Won't you join me in thanking David Passman for his extraordinary service to this industry?

But of course I have many bosses. NATO now has a record 668 member companies operating in all fifty states and in 82 countries around the world. If you work for a NATO member company, please give yourselves a round of applause.

OK. I know I stand between you and some truly exciting summer film footage from Paramount, so let me get right to it. Are you as excited as I am about our business in 2015, 2016 and beyond? In fifteen years of standing on a Vegas stage, I have never before made this prediction - 2015 will be a record-breaking year in both domestic and global box office receipts. Here are the ten key reasons why I am confident that I'm right.

Key Reason #1 – Twelve Months of Movies

Wall Street predicted that January through March would be the only down quarter of the year, yet the box office was up 3%. That surprise win happened because Clint Eastwood presented serious drama in January -- because February is a great time for love -- and because family movies work any time of the year.

Our momentum accelerated with the start of the second quarter. *Furious 7* is the first billion dollar global blockbuster ever released in the month of April, thanks to Universal's continuing use of all 12 months in the calendar. And the remainder of the year is packed with likely commercial success stories.

Indeed, we believe that 2015 will see the opening of at least four, and perhaps as many as six, billion dollar movies, spread throughout the year.

Key Reason #2 – Women Finally Get on Screen

2015 will rock at the box office because it will be the year of women. Research by the Center for the Study of Women in Television and the Geena Davis Institute on Gender in Media has shown that only 12% of leading roles in 2014 went to women even though women bought half of all movie tickets. In 2015 women get a little more of the limelight. Three successful movies so far this year had women in leading roles and sold 60% or more tickets to women. And we have so much more to come, with big female roles in horror, comedy, science-fiction, animation, family, western, thriller and action. Personally, I am so pleased that my daughter can see more women in leading roles than ever before.

Key Reason #3 – Movies for All Ages

A third factor will drive 2015 toward a record -- there are movies in the line-up with appeal for all ages. For families, each month offers at least one wide release movie that will be rated either PG or G, each one nicely spaced out to avoid cannibalization.

Key Reason #4 – Premium Sight and Sound (and more!)

Great movies deserve a magical cinema experience. Distributors, exhibitors and our equipment vendor partners work together to bring the best possible sight, sound and other technologies to our guests. At our busy trade floor and demonstration suites, delegates will be discussing the latest laser-illuminated projection systems; amazing immersive audio technologies now being offered by three different suppliers; and even 4D systems that involve moving seats and weather effects. At CinemaCon we take pride in bringing the newest technology concepts to life. Tomorrow morning our friends at Disney and Dolby will feature the movie “Inside Out” in high dynamic range, and we will follow that screening with a panel discussion on this new and exciting technology.

Key Reason #5 – Expanded Access for Patrons with Disabilities

This year our industry can take particular pride in our efforts to expand access for patrons with disabilities. Our studio partners now supply almost all major movies with captions for the deaf, and audio description for the blind. And at NATO we reached an historic agreement with leading organizations in the deaf and hard of hearing community for the roll out of captioning technologies in our cinemas. We encourage people who are deaf, hard of hearing, blind and visually impaired to join the magic of movie-going.

Key Reason #6 – Partnering with Distributors on Windows

In a recent survey of NATO members, preservation of reasonable theatrical release windows scored the top priority from exhibitors. There is good news on this issue, as distributors and exhibitors continue to collaborate on models that work for the entire industry. Though one-off and radical simultaneous release experiments garner some media attention, the reality is that major distributors believe that theatrical exclusivity drives the entire business.

Key Reason #7 – VPF Cost Savings Begin

Toward the end of 2015 the final phase of the digital cinema roll-out begins in the U.S. Starting with the earliest movers, the virtual print fee system will end as the cost of equipment installed a number of years ago becomes fully recouped. Though it will take a number of years for all the systems to reach recoupment, or for the VPF terms to expire, distributors will eventually save more than \$1 billion dollars a year domestically, and even more overseas. Those savings will enable distributors to make more favorable deals with exhibitors, and may also widen the release patterns on certain movies.

Key Reason #8 – Affordable Tickets

Even as the cinema-going experience has continued to improve with luxury amenities and superior technologies, the price of admission has remained affordable. The average ticket price in 2014 was \$8.17. If you take the average ticket price from forty years ago and adjust for inflation, that ticket today would cost more than nine dollars.

Key Reason #9 – More Luxury Choices for Movie-Goers

My penultimate reason comes from the growing number of cinemas with luxurious choices for our patrons. From high-end food service; to alcohol beverage options; to big, comfortable seating; the movie-going environment has never felt so good.

Key Reason #10 – Excellent Customer Service

Finally, 2015 brings a renewed commitment of cinema operators to excellent customer service. NATO and our members are developing modern, online training programs for theater staff to facilitate true patron satisfaction with their movie-going experience. For the theater managers in the audience, you can have no greater priority than courteous staff, short lines, and clean facilities.

It's going to be a great ride in 2015 and beyond. We are all so lucky to work in this magical business. Thank you for your support of NATO and CinemaCon, and have a great week.