



National Association of Theatre Owners™

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The poignant movie clips we just saw highlight the unique ability of motion pictures to explore human emotion. The best way to enjoy movies, of course, is in the seats of today's cinemas. The stunning visual images and sound enabled by our cutting edge technology bring that human spirit to life on the big screen.

This week here in Vegas I invite you to celebrate two key drivers of our industry's successful boxoffice growth. First, we're exhibiting more diverse movies that appeal to more varied demographic audiences throughout more months in the year. And second, cinema operators are providing more choices to more patrons to enjoy the moviegoing experience in more ways.

More is good. More makes money. And yet we still need to do more. Let me explain.

My good friend and partner Chris Dodd offered up the positive news in his talk. We broke boxoffice records here and abroad in 2013. Boxoffice grew 1.2% domestically and 4.6% internationally.

The first reason for our growth lies in the movies we exhibit. NATO has emphasized the need to serve all age groups, and specifically the need for more quality family-friendly titles. In 2013 our distribution partners gave us family movies with huge commercial appeal. Four PG or G rated movies hit the top ten domestically last year, compared to two out of ten in 2012. Last year's supply of family movies helps explain why the strongest growth in frequent moviegoers occurred in the 2-11 age demographic.

We could sell even more tickets to those movies if they were spread more evenly throughout the year. Last year I talked about the need to distribute movies in all twelve months. And in some respects, that has begun to happen. Warner Bros., for example, gave us the award winning spectacle "Gravity" in October, and Sony gave us another successful family title in September.

Yet we could still use a bit more calendar diversity. We had virtually nothing for families in the first quarter of 2013, which resulted in a 12% drop in that period. And then we had too many family movies packed into summer time, with some cannibalization. Fortunately, that has changed in 2014 as four family movies this first quarter have helped drive seven percent growth year over year.

Last year I also addressed the need to appeal to diverse audiences. Here again, we see progress. The year 2013 in the U.S. brought the highest grossing Spanish language movie of all time with "Instructions Not Included." Perhaps even more telling, more movies in 2013 featured more black actors in

important roles that drove more patrons to the cinema. That's why we saw substantial growth in moviegoing for African-Americans and other minorities.

Just as the industry is meeting the needs of diverse demographics, we always need lots of movies that appeal to broad audiences. This chart shows marginal declines in the total number of wide release movies in the domestic marketplace. The cause of this decline is that the MPAA major studios are releasing fewer movies.

But there are important signs that more movies with broad appeal are coming to the market. Lionsgate, for example, has grown from mid-size indie to major studio status. Regal and AMC's Open Road Films have brought successful titles on a wide scale. And as announced earlier this month, our members are working with producer Bob Simonds, Noah Fogelson and Tom McGrath to establish a new distribution model for movies the majors aren't making. Exhibitors are confident that we'll have the movies we need to continue our box office growth.

Earlier I mentioned human emotion and diversity of product. One movie that brought both of those qualities to the market was "12 Years A Slave", winner of the best picture Oscar. Yet it was the only movie of the nine nominated for best picture that I didn't watch on the big screen. It's not that I didn't consider the movie worthy of watching. Quite the contrary. "12 Years A Slave" constitutes one of the most important movies of our generation. It's simply that, for me, the movie was too unequivocally intense to watch in a cinema, so I waited and watched it at home.

I share this personal admission to make a point about the cinema experience. Our members' cinemas offer the most intense, technically advanced, real life visual and audio environments ever experienced. For eight of the nominated movies and dozens of other films during the year, the cinema was the place for me. For one movie, the intensity of the cinema would have been too much.

Our cinemas offer more choices in visual experience, including large screen formats, 3D and 2D, and 4K and 2K resolution, all of which have been enhanced through the industry's historic transition to digital cinema.

For audio, we have progressed from mono to stereo to digital to 5.1 to 7.1 and now to immersive audio or object based sound. Today's modern cinema sound systems literally engross our audiences in the action on the screen.

Our members have accompanied these brilliant visual and audio experiences with the greatest array of amenities ever. Our guests wanted more upscale

food and alcohol service in select locations, and they are getting more. Some patrons wanted healthier choices in food and beverage, and we are offering them more. Still other moviegoers sought more comfortable and spacious seating arrangements, and we are redesigning cinemas to provide more.

NATO members are grateful to our two partners in the International Cinema Technology Association, led by Joe DeMeo, and the National Association Of Concessionaires, led by Jeff Scudillo. The technology and concessionaire members of those organizations develop the innovative offerings I just described.

Many of these various upgrades to the cinema experience come at significant cost. And those costs have resulted in marginal increases in ticket prices. And yet, the cinema continues to offer the most affordable out-of-home entertainment. Just as we are providing greater choices in moviegoing experiences, we are also offering more options in ticket prices.

Children's tickets, senior discounts, matinee pricing, 2D, 3D, large format screens, luxury seating and in-theater dining – the range of choices was unthinkable forty years ago. The average ticket price then was \$1.76. Adjusted for inflation, that ticket would cost \$9.27 in today's dollars. Yet, with all the options and innovations available to today's moviegoers, the average ticket price in 2013 was just \$8.13.

We seek to do even more to bring the best experience to our guests. As our attendees walk the trade floor and participate in seminars and demonstrations this week, they will see how new methods of digital delivery will open pipelines for all types of content to flow to cinemas. We've also assembled the largest gathering of alternative content suppliers ever in one place. We are continuing to examine new technologies such as immersive audio, laser light sources, high frame rates and now high dynamic range.

Simply put, exhibitors, distributors and our vendor partners continually seek the best technologies and amenities for the enjoyment of our patrons.

As we give moviegoers more movies and more enhanced theatrical experiences, those two factors will continue to drive growth.

As I conclude I ask you to stay put in your seats, because you won't want to miss the exciting product coming next from our friends at Universal Pictures. Thank you so much for participating in our convention. I look forward to our interactions throughout the week.