



National Association of Theatre Owners™

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Hello CinemaCon 2018! It's an honor to be here with you as we celebrate the movie-going experience. The passionate professionals gathered in this room continue to move this great industry forward in exciting ways.

I want to give a special shout out to Alejandro Ramírez Magaña – one of exhibition's most important leaders – felicitaciones, mi amigo.

In addition to passionate theater operators, we also benefit from delicious food and beverage service and cutting edge cinema technologies. NATO appreciates the support of the National Association of Concessionaires and its President, Andrew Cretors, as well as the International Cinema Technology Association and its President, Michael Archer.

Thank you also to NCM for designing our presentation this morning.

Our business would not be what it is without exceptional service for our guests, like that provided by hundreds of Regal managers who join us in the top balcony! Let's give some love to the people who help this industry run smoothly every day.

We've got a great week ahead of us. A record 11 studios will be sharing exciting content to be released in 2018, 2019 and beyond.

There are many important topics this week. First, our industry is more dynamic than ever. The word disruption is thrown around way too much. Nothing needs to be disrupted when it comes to the basic goal of our industry: bringing people together to share a communal experience. But that doesn't mean exhibitors won't innovate. From new heights in sight and sound, to enhanced food and beverage options, to luxury seating and beyond, our members are dramatically enhancing the experience.

Now, let's look at the numbers.

In 2017, the domestic box office hit \$11 billion for the third year in a row, and fell only 2.5% from 2016's record-setting haul. After posting the biggest first quarter of all time in 2017, business slowed during the summer. But that slowdown reversed quickly with the timely arrival of It, and a fourth quarter when we saw robust box office for such titles as Star Wars: The Last Jedi, Jumanji: Welcome to the Jungle, The Greatest Showman, The Shape of Water, Lady Bird and Three Billboards Outside Ebbing Missouri. The point here is simple: our business rises or falls on

the movies in our cinemas. It doesn't stand to reason that movie-going habits have permanently changed based on the performance of any given movie, weekend, month, or quarter. North America remains the biggest market in the world. It accounts for roughly 30% of global revenue from only 5% of the population.

But we are now a global industry. And globally, we had our first \$40 billion year in 2017. The global box office has grown 17% since 2012.

Global growth will continue both in existing markets, and new ones. In an historic decision for NATO and our members, Saudi Arabia will allow movie theaters after an absence of nearly four decades. Congratulations to our largest member, AMC, for opening the first Saudi cinema last week. The Saudi market could reach \$1 billion in box office in a few years.

Speaking of global growth, last June in Barcelona, two trade associations and twelve leading exhibition companies from every corner of the world announced the formation of a Global Cinema Federation. Our goals are ambitious as we work with exhibitors around the world on such crucial issues as theatrical exclusivity, movie theft, technology, international trade and investment, music licensing, and access for patrons with disabilities.

Looking ahead, we remain very optimistic about the future of our industry. With *Black Panther*, we had the first \$1 billion global hit to open in February, and we had the 2nd largest first quarter of all time. We are heading into a "summer" season that should be spectacular. Advanced ticket sales for *Infinity War*, which opens in only three days, are beyond anything we have seen before. And the remainder of the summer slate looks just as impressive. We thank our partners in distribution for giving moviegoers great options all year long.

We also applaud content creators and distributors—both large and small—for taking significant steps to achieve more diversity and positive representation on the big screen. Our customers are demanding it, and we are optimistic that 2017 and 2018 will one day be viewed as a turning point on this front.

Would *Black Panther*, *Get Out*, *Wonder Woman* or any other major recent hits have become significant cultural landmarks if they went straight to streaming? Of course not. Their impact is a direct result of people experiencing them in a communal way. During *Black*

Panther's opening weekend, social media lit up with excited moviegoers taking pictures in crowded theater lobbies.

We know that some of the most exciting directors working today—from Jordan Peele to Greta Gerwig to Steven Spielberg to Christopher Nolan—bring their visions to life with the big screen in mind. In front of the camera, Margot Robbie made it clear that she wanted *I, Tonya* to receive a robust theatrical run and not go straight to streaming. She's not alone.

Let's talk about the relationship between streaming and theatrical. We recently conducted a study with Ernst & Young of over 1,400 people who watched at least one movie in theatres in 2017 and spent one hour per week on streaming services. The study found that 33% of moviegoers who see 9 or more movies per year—twice the national average—also spend 15 or more hours per week on streaming platforms. People who consume a lot of content do so across multiple platforms. A robust theatrical release helps a movie stand out among myriad choices on digital platforms. The movie industry is not a zero-sum game. The more movie lovers we can create, the better off we all are. And it starts with movie theaters.

The idea that younger adults aren't passionate moviegoers is a myth. According to data from comScore—NATO's official data partner—moviegoers aged 18-44 constituted 63% of the total box office in 2017—up from 61% in 2016. 13-24 year olds accounted for 36.1%—up from 35.6% the previous year.

I have worked with NATO members for 26 years. I can't begin to tell you how often reporters have asked me if the movie theater industry is dying. Every downturn in admissions is a sign of secular decline, every innovation or improvement is intended to "save" the movie theater business. There has been a lot of hype about the next "disruption". VHS. DVD. Streaming. Shortened windows. PVOD. Subscriptions and simultaneous release. Yet we never die but remain a strong business in the face of disruption everywhere else in the entertainment landscape.

How can an August 2017 that was bizarrely light on titles be the warning sign for secular decline when the first quarter 2017 set a record for box office and attendance? How can it be secular when October roars back, the fourth quarter is up year over year and turnstiles are spinning in February 2018? When the second quarter in 2018 explodes in growth - some analysts predict it will jump 18-20% - will that be a sign that we are experiencing secular growth, or is it a sign that when

the movies are compelling, discerning audiences will turn out in massive numbers.

This isn't the first time I have made this argument, and I'm sure it won't be the last. We will be here next year, and the next year, and for years to come.

I now have the great honor of introducing MPAA Chairman Charles Rivkin to the CinemaCon stage for the first time. Charlie brings extensive experience, both in diplomacy and in the entertainment industry, to the position. In a short time with the MPAA, Charlie has demonstrated the keen passion, comprehensive intellect, and tireless work ethic that will make a real impact. Simply put, I am tremendously excited about Charlie's partnership and leadership. Please join me in welcoming him.