

Cinema: recovery starts here

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Leisure Property Forum

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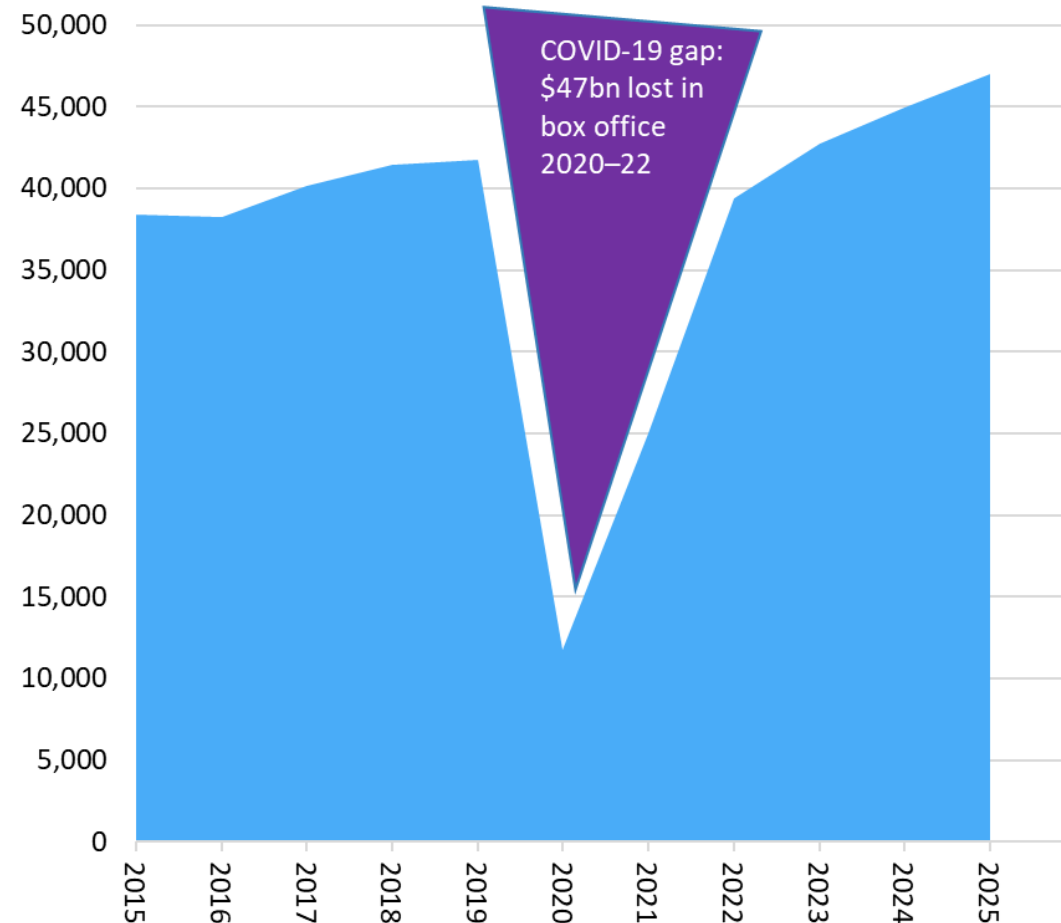
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The “COVID-19 gap” will leave scars on cinema and distributors

- Global box office in 2021 will be significantly higher than 2020, but still significantly down on 2019.
- Downgraded forecasts for 2021 and 22 due to delta variants and complexity of vaccine situation. Waves of COVID-19 differ regionally.
- The exhibition sector will lose approximately \$47bn in box office between 2020 and 2022. This does not include the loss of concessions—the key profit driver—and screen advertising, which adds significantly to the loss.
- Studios will lose around half of the gross box office lost in the “COVID-19 gap” (\$23.5bn).

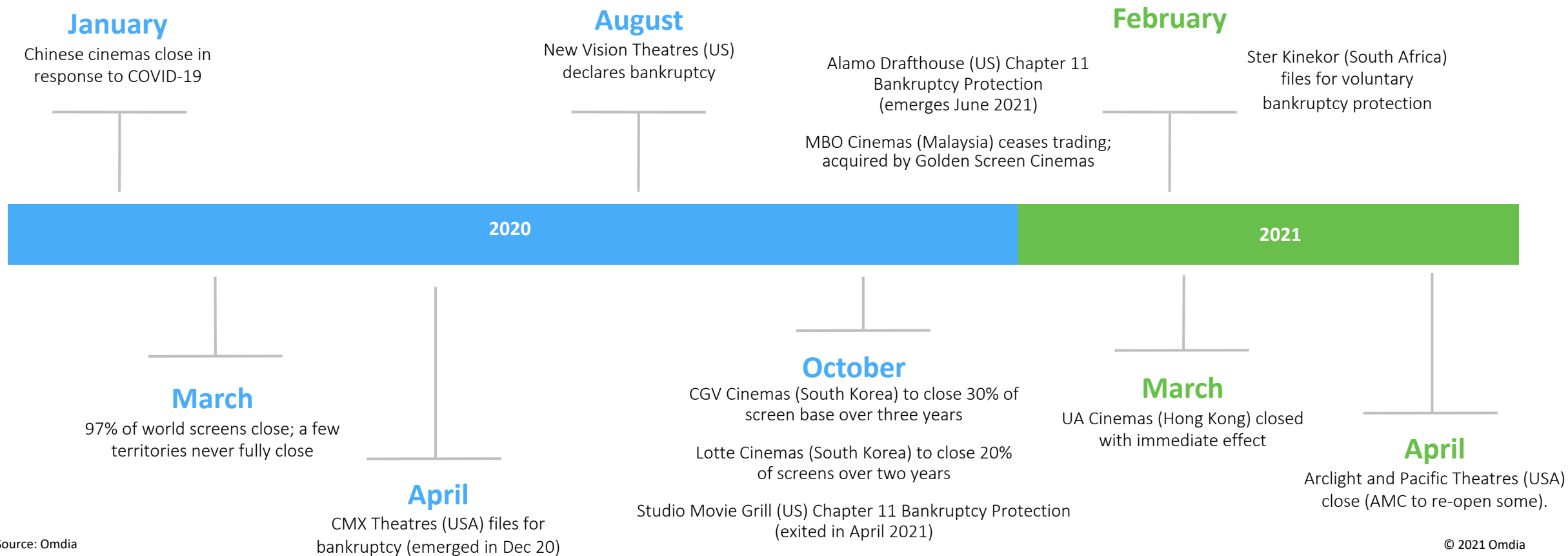
Global box office 2021–25



Source: Omdia, Movies Intelligence

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Exhibitors are proving resilient despite extreme pressure on finances



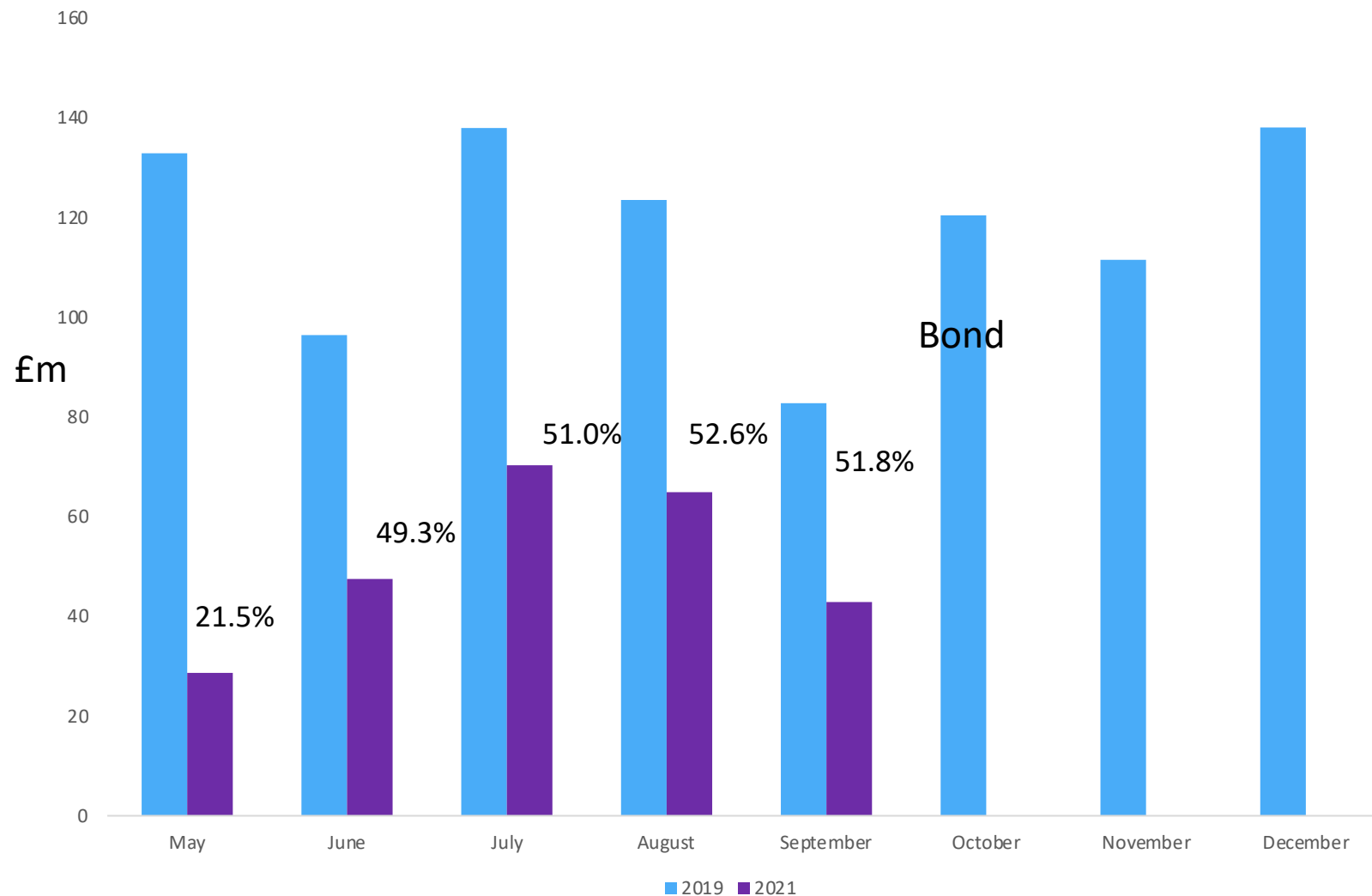
Source: Omdia

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Theatrical box office: Strong titles emerge

- Monthly box office trending at around half of 2019 levels, until Bond release in October
- There is a strong line-up of movies to be released throughout 2021 in a mix of genres, and crucially several a month from October
- All UK screens are now able to open, but some engrained customer hesitancy affecting overall grosses.
- Bond will bring back older demographic to cinemas, but what will keep them there

UK Box Office Tracker 2019 vs 2021



A unifying set of new release windows has yet to emerge as studios continue to experiment amid coronavirus uncertainty

- Even as the release schedule has settled into a less erratic pattern in recent months, unifying strategy is yet to emerge across theatrical or home entertainment windows.
- Some films have made their on-demand debut on a Tuesday (traditionally the day for home entertainment releases in the US), whereas others have released on a Friday.
- In the current situation, it's almost impossible for studios to judge success and therefore optimal strategy
- The nature of a pandemic means that reported coronavirus case numbers can change quickly; a notable caveat on any attempt to compare the box office of any two films.

May 2021	
<i>Spiral</i>	18 day theatrical exclusive
<i>Cruella</i>	Day and date PVOD (Disney+)
<i>A Quiet Place II</i>	46 day theatrical exclusive

June 2021	
<i>Peter Rabbit 2</i>	46 day theatrical exclusive
<i>Luca</i>	Direct to SVOD (Disney+)
<i>F9</i>	35 day theatrical exclusive

July 2021	
<i>Black Widow</i>	Day and date PVOD (Disney+)
<i>The Boss Baby 2</i>	Day and date SVOD (Peacock)
<i>The Forever Purge</i>	21 day theatrical exclusive

August 2021	
<i>The Suicide Squad</i>	Day and date SVOD (HBO Max)
<i>Free Guy</i>	45 day theatrical exclusive
<i>PAW Patrol</i>	Day and date SVOD (Paramount+)

Notes: Like all Warner Bros. 2021 releases, *The Suicide Squad* is available on HBO Max for 31 days.

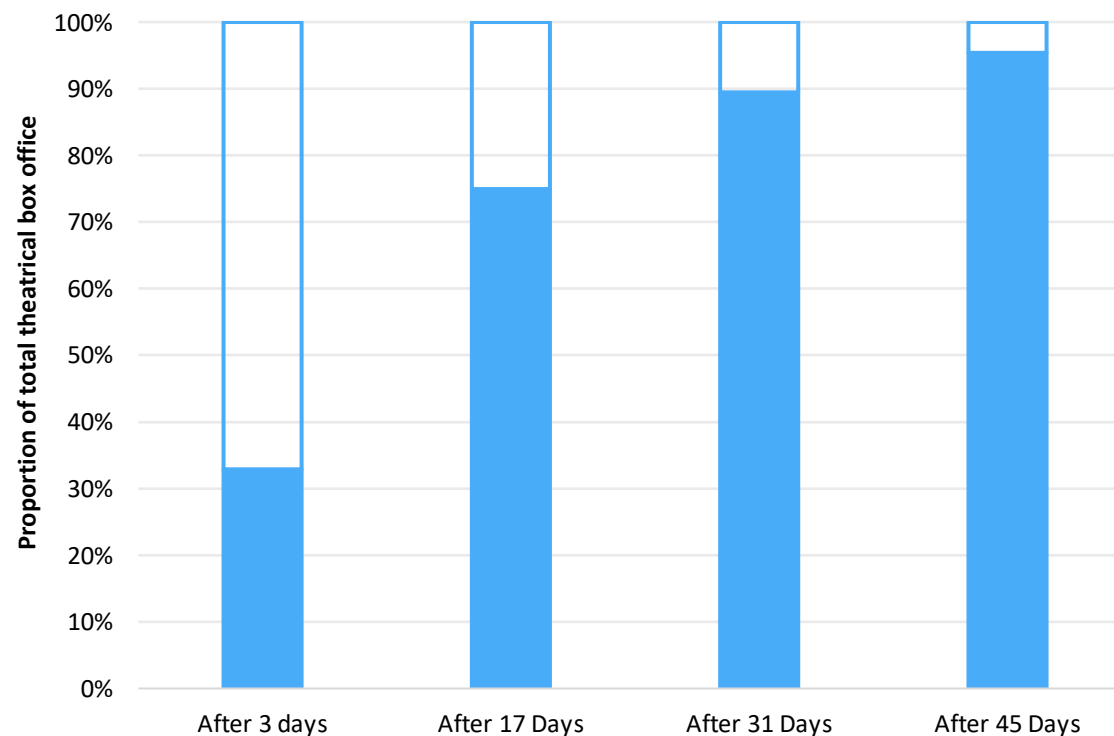
Source: Cinema & Movies Intelligence Service

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Consensus is to shorten the exclusive theatrical window in order to make it more efficient

- Windows have shortened naturally over the past 20 years. There has been tension for a decade – COVID-9 accelerated a natural process.
- This has been accompanied by movies taking their money quicker. – the key first two weeks (revenue and momentum). Bigger movies take money quicker (70% in 2 weeks compared to 41% for movies ranked 91-100).
- Terms are more favorable to distributors in first weeks and shift to exhibitors the further into a theatrical run it gets.
- Reducing the exclusive theatrical window at the expense of a small percentage of box office revenue allows studios to release on home entertainment platforms but also fuels piracy.

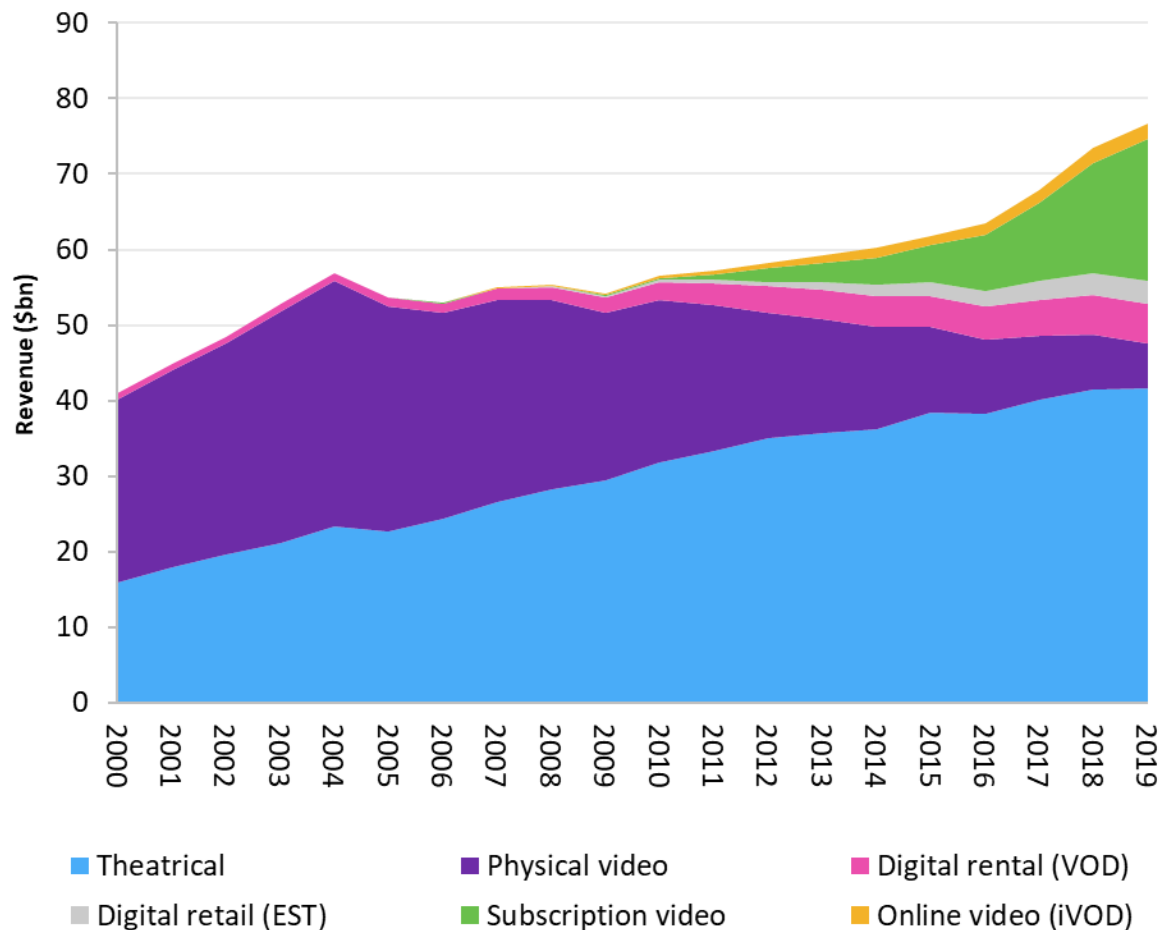
North America: Box office earned by the top 100 films released in 2019



Cinema needs to evolve but has proved worth to content owners

- Experimentation for studios has come full circle
- Cinema does not need to prove its worth to studios – that was known
- Piracy with digital/theatrical day and date is significant factor in not pursuing
- Distribution has changed to some extent but not as much as some exhibitors feared

Global movie revenue by platform, 2000–19

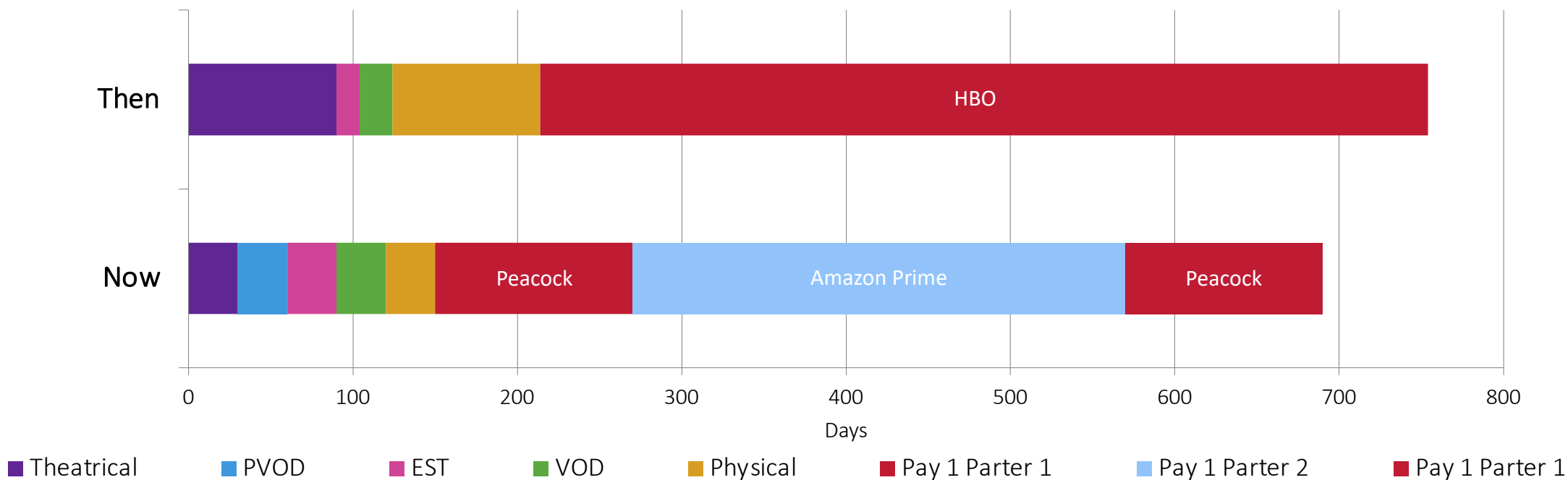


Source: Omdia

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SVOD – studios are focusing content onto their own platforms for pay-one windows rather than traditional licensing

Distribution Windows - Universal Example



Notes: Some windows above overlap or may have different strategic lengths by title; this is a hypothetical example. Home ent. And PVOD windows may or may not exist or overlap
 Source: Omdia

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The UK cinema re-opening and recovery

Variable	Score
Cinemas open	9
Restrictions lifted	10
Consumer hesitancy	6
Steady stream of attractive movies	8
The theatrical window and potential cannibalisation	8
TOTAL SCORE (Out of 50)	41

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