



AMC Entertainment (AMC) 2020 Q2 Earnings Summary

August 2020

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Key Takeaways

AMC Entertainment Has Made An Aggressive First Move In The Shift To Premium Video On-Demand

UNIVERSAL AGREEMENT

- **Multi-year agreement provides for theatrical exclusivity for all releases for at least 3 weekends, comprising at least 17 days**
 - Studio will have the option to make its titles available across PVOD platforms, but those movies are also going to stay in theaters
 - Universal is contractually not allowed to state that a movie will be available on PVOD until after the 10th day of theatric release
- **Receiving a share of each film's PVOD revenue, whoever the retailer, or if the customer would have gone to their theater or not**
 - Receiving considerable additional economics when the film is retailed on their AMC Theaters On Demand service

PVOD

- **Works to increase studio profitability from theatrical releases, which over time should lead to green lighting of more films**
 - Have a 25% market share in the U.S. so if they can provide studios with incentives to release even more movies that dwarfs the PVOD economics
- **Needed to figure out how to be included in the economics of all film viewing whether it takes place in theaters, on their own website or on people's couches at home**
 - Still preserves the most important period of time during an exclusive theatrical window in which most of the movies' revenues come in the door

REOPENING

- **More than 1/3 of their theaters in Europe and the Middle East are open again, and all should resume operations within 2 weeks**
 - Looking forward to the reopening of their theaters in the U.S., which should happen in most, but not all U.S. cities by the end of this month
 - If they are more than about 25% of last year's volumes, they are better off open than shut because the theaters would be cash positive
- **marketing activity will be extensive to convince people to get out of their homes and see movies in a clean and safe environment**
 - Ultimately, they are going to have to pass some of these enhanced cleaning costs onto the consumer

CAPITAL STRUCTURE

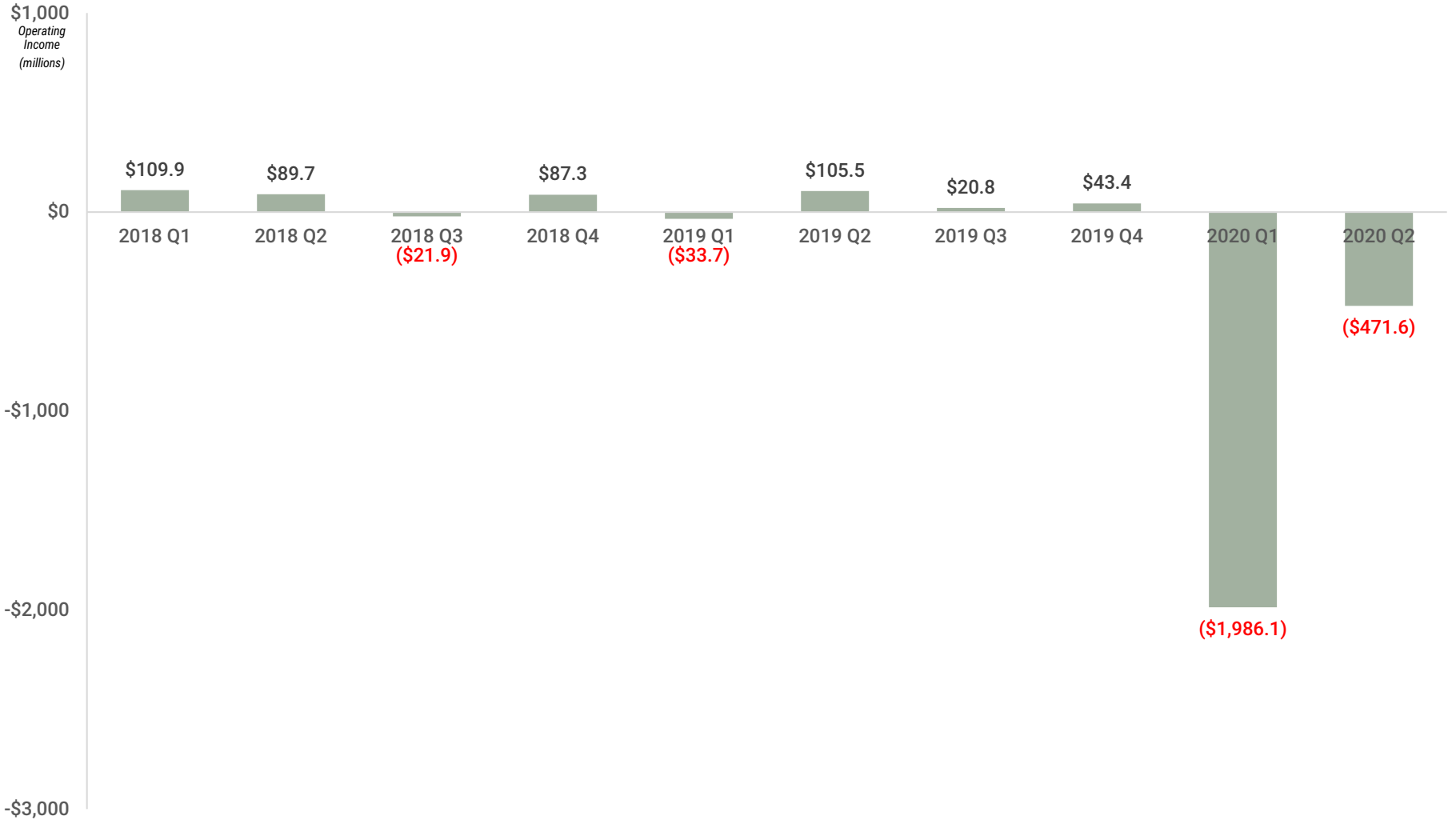
- **Debt exchange transaction reduces \$555 million of net debt and meaningfully improves their financial position**
 - Provides incremental liquidity of \$300 million before discounts and transaction costs from the issuance of the new first lien debt
 - Provides \$120 million of enhanced liquidity from the ability to defer cash interest payments on new second lien debt for the first 12 to 18 months
- **Negotiated covenants to give flexibility to do transactions that may be helpful for ongoing liquidity going forward**
 - Certain restrictions on the cash flow from asset sales in terms of what percentage repays debt and what percentage stays with the company

Assuming theaters remain closed, they have sufficient liquidity into early 2021 with a monthly cash burn rate of \$100m

Operating Income



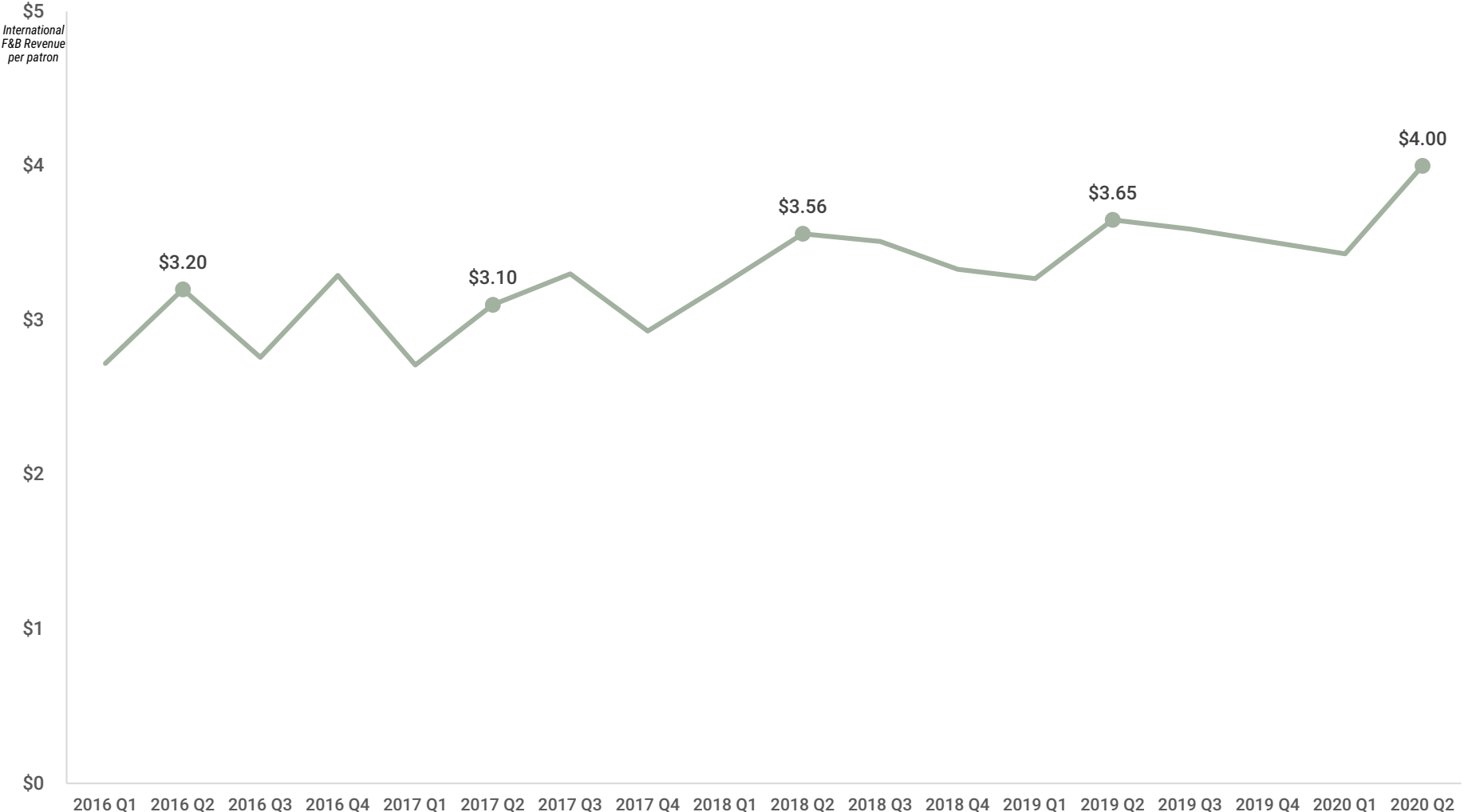
Quick Measures Have Been Taken To Reduce Operating Expenses And The Cost Structure For The Long-Run



The vast majority of rent expenses have been deferred and cash payments will depend on their reopening schedule



Even Though There Is A Limited Menu, Higher Percentages Of Audiences Are Purchasing Food & Beverage

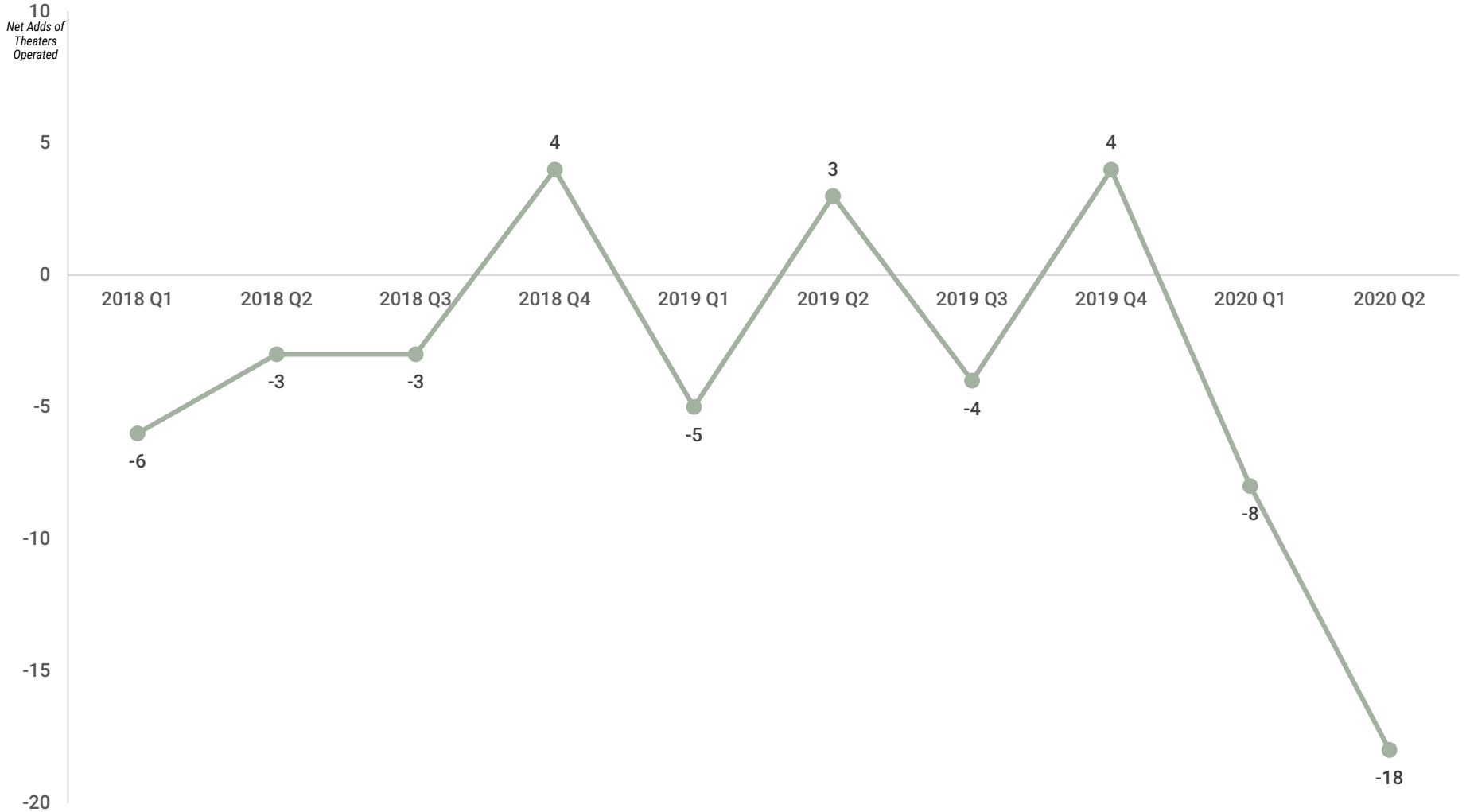


High-margin sales of soda and popcorn will be important to achieve profitability with restrictions on audience capacity

Theaters



Many Of Their Unprofitable Locations Are Closing Permanently As They Focus On Restoring Cash Flows



Negotiations with landlords continue and they have already been able to defer or abate rent on 75% of their leases