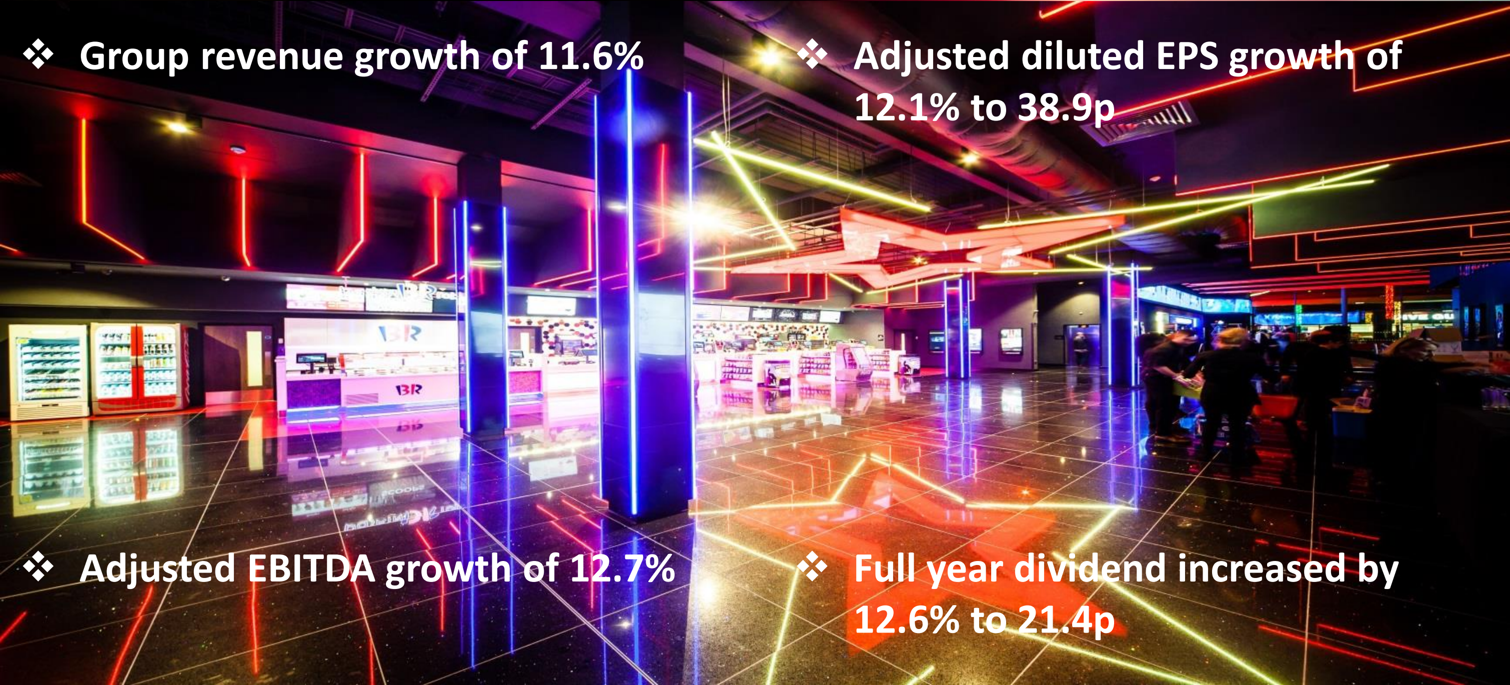
Cineworld Group plc

Cineworld Group 2017 Results

15th March 2018

Overview

Summary of 2017 – another record year



- **Group revenue growth of 11.6%**
- **Adjusted diluted EPS growth of 12.1% to 38.9p**
- **Adjusted EBITDA growth of 12.7%**
- **Full year dividend increased by 12.6% to 21.4p**

Financial Review

Financial Highlights

	Group 2017	Group 2016	Statutory Movement
Admissions	**103.8m**	**100.3m**	**3.5%**
	£m	£m	
Box office	553.7	500.9	10.5%
Retail	220.4	190.8	15.5%
Other	116.6	106.1	9.9%
Total revenue	**890.7**	**797.8**	**11.6%**
Adjusted EBITDA[1]	**198.2**	**175.8**	**12.7%**
Adjusted profit before tax	**127.5**	**111.4**	**14.5%**
Adjusted diluted EPS	**38.9p**	**34.7p**	**12.1%**
Adjusted diluted (rights adjusted) EPS	**17.3p**	**15.4p**	**12.3%**

- Statutory revenue growth of 11.6% (constant currency at 8.0%)
- Statutory Adjusted EBITDA[(1)] growth of 12.7% (constant currency 7.4%)
- Adjusted diluted EPS up 12.1% to 38.9p
- Adjusted diluted EPS (rights adjusted) of 17.3p
- Net debt of £278.3m (31 December 2016: £282.3m) – Net debt to EBITDA ratio reduced to 1.4
- Increased the full year cash dividend paid by 14.5%. Final adjusted dividend per share of 3.1p

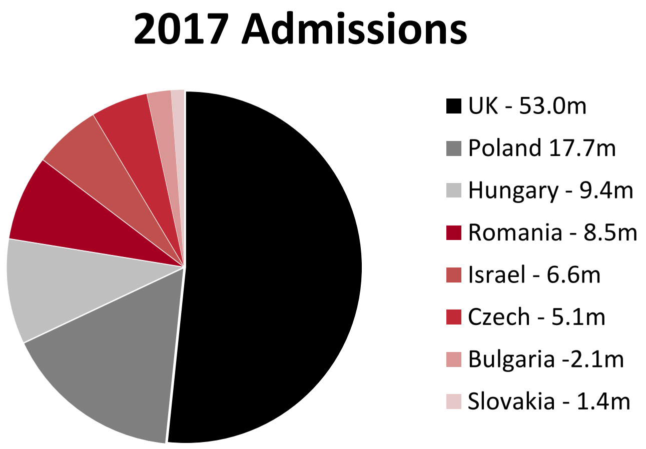
1. Adjusted EBITDA is defined as Operating profit before depreciation and amortisation, onerous leases and other non-cash items, impairments and reversals of impairments, transaction and reorganisation costs, gains and losses on disposals of assets and subsidiaries and the settlement of the defined benefit pension liability.

Performance summary

	UK & Ireland		ROW		Group	
	2017	**Movement versus 2016**	**2017**	**Movement versus 2016**	**2017**	**Movement versus 2016**
Admissions	53.0m	2.3%	50.8	4.7%	**103.8**	**3.5%**
	£m		**£m**		**£m**	
Box office	345.0	6.5%	208.7	8.2%	**553.7**	**6.4%**
Retail	125.8	7.1%	94.6	18.7%	**220.4**	**11.1%**
Other	53.7	2.3%	62.9	8.3%	**116.6**	**5.4%**
Total revenue	**524.5**	**6.2%**	**366.2**	**10.7%**	**890.7**	**8.0%**
Adjusted EBITDA	**99.7**	**2.7%**	**98.5**	**12.5%**	**198.2**	**7.4%**
Adjusted EBITDA Margin	**19.0%**	**(0.7)%**	**26.9%**	**1.0%**	**22.3%**	**0.3%**

- Group revenue growth of 8.0%
- 2.3% increase in the UK box office revenues (total market increased by 1.4% - source IBOE)
- Group Adjusted EBITDA growth of 7.4%
- Group Adjusted EBITDA margin increased to 22.3%
- Benefit of operating in nine territories in mature and developing markets

Box Office & Retail Performance



<u>UK</u>

- Admissions = 53.0m +2.3%
- ATP = £6.51 +4.0%
- SPP = £2.27 +4.4%

<u>ROW (constant currency)</u>

- Admissions = 50.8m +4.7%
- ATP = £4.11 +3.3%
- SPP = £1.86 +13.4%

Other income

- Other income includes revenue from advertising, distribution, screen and event hire and online booking fees

- Overall it has increased by 9.9% (8.0% on a constant currency basis)

- **UK & Ireland performance + 2.3%**

  - Advertising performed well benefitting from increase in admissions
  - Disposal of small alternative content distribution outfit in Picturehouse

- **ROW performance + 8.3% (constant currency)**

  - Strong performance from advertising revenues
  - Distribution revenues largely in-line year on year

Group profit and loss

£m	2017	2016
Revenue	890.7	797.8
Adjusted EBITDA	**198.2**	**175.8**
Depreciation and amortisation	(68.1)	(58.6)
Exceptional cost	(1.9)	(4.4)
Operating profit	**128.2**	**112.8**
Finance expense	(7.8)	(14.6)
Profit before tax	**120.5**	**98.2**
Tax charge	(19.9)	(16.2)
Profit after tax	**100.6**	**82.0**
Adjustments	**5.6**	11.8
Adjusted profit after tax	**106.2**	**93.8**

Includes £5.1m of amortisation related to intangible assets which were identified as part of the Cinema City business combination.

The £1.9m net exceptional items includes the following items:

- £7.8m of reorganisation costs
- £1.3m of onerous lease property charges
- £(5.2)m net credit in relation to impairments
- £(2.0)m one off gain relating to the disposal of Picturehouse Entertainment

Net finance expense of £7.8m includes £6.3m in respect of interest on bank loans and overdrafts. 2016 included a foreign exchange loss of £6.1m

Growth in the adjusted diluted EPS of 12.1%

£m	2017	2016
Adjusted EBITDA	**198.2**	**175.8**
Depreciation and amortisation	(68.1)	(54.0)
Adjusted Operating profit	**130.1**	**121.8**
Finance expense	(2.6)	(10.4)
Adjusted profit before tax	**127.5**	**111.4**
Tax	(21.3)	(17.6)
Adjusted profit after tax	**106.2**	**93.8**
Adjusted diluted EPS	**38.9**	**34.7**

£m	2017	2016
Adjusted items		
Amortisation of Cinema City intangibles	5.1	4.6
Exceptional items	3.9	4.4
Foreign exchange translation movements on Euro Term Loan and exceptional hedge item	-	4.2
Profit on disposals	(2.0)	-
Total adjustments	**7.0**	**13.2**
Tax	(1.4)	(1.4)
Total post tax adjustments	**5.6**	**11.8**

Cash flow statement and net debt

£m	Cash	Bank loans	Other	Net Debt
Opening position at 1 January 2017	**55.8**	**(322.0)**	**(16.1)**	**(282.3)**
Operating profit	**128.2**	-	-	**128.2**
Non-cash movements	56.6	(1.4)	(1.0)	**54.2**
Cash generated from operations	**184.8**	(1.4)	(1.0)	**182.4**
Tax paid	(12.0)	-	-	**(12.0)**
Net cash flows from investing activities	(110.7)	-	-	**(110.7)**
Net cash flows from financing activities	(54.6)	(4.8)	1.3	**(58.1)**
Forex and other non-cash movements	4.2	(1.8)		**2.4**
Closing position at 31 December 2017	**67.5**	(330.0)	(15.8)	**(278.3)**

- Of the net £56.6m non-cash movement, £68.1m relates to the add back of depreciation and amortisation
- Investing activities include £7.0m paid for Newcastle Empire and £106.2m of capital expenditure
- Financing activities primarily include
  - Drawdown on facility of £17.4m
  - £53.8m dividend payment
  - Loan repayments of £11.1m
  - Interest paid of £6.6m
- Adjusted EBITDA to net debt ratio reduced to 1.4 times

Financial Outlook

- Strong film slate for 2018
- Encouraging performance for January and February across all territories
- Capital expenditure for 2018 expected to be approximately £80m for the UK/ROW
- Focus on cash generation to reduce the net debt to adjusted EBITDA ratio
- Cost of debt expected to be circa 4%

Business Update

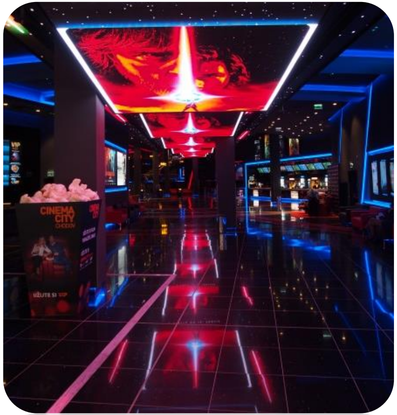
Key Achievements

- 103.8m admissions
- Nine new openings
- Acquisition of Empire Newcastle
- Completion post year end of Regal Entertainment acquisition
- Leading technological innovation
- Six refurbishments completed

Next generation cinemas – 109 new screens

UK & Ireland

- Leeds – 11 screens
- Ely – 6 screens
- South Ruislip – 11 screens
- Bracknell – 12 screens



ROW

- Zichron – Israel – 12 screens
- Galata – Romania – 8 screens
- Bialoleka – Poland – 11 screens
- Chodov – Czech Republic – 18 screens
- Wroclaw – Poland – 20 screens

Next generation cinemas – refurbishments

Continued delivery of refurbishments with the following completed in 2017

- **Ipswich** – Extension and refurbishment
- **Northampton** – Refurbishment including a Superscreen
- **Solihull** – Refurbishment including Superscreen and Starbucks
- **Hemel Hempstead** – one of the Empire sites acquired, refurbishment including Starbucks
- **Arkadia** (Poland) – leading cinema in Warsaw
- **Mokotow** (Poland) – opened in 1999

Technological Innovation

IMAX

2016		NEW		2017
33	+	2	=	35

SUPER SCREEN

2016		NEW		2017
9	+	2	=	11

4DX

2016		NEW		2017
27	+	11	=	38

Retail Offerings

2016 24	+	NEW 5	=	2017 29
2016 9	+	NEW 3	=	2017 12

The New Cineworld

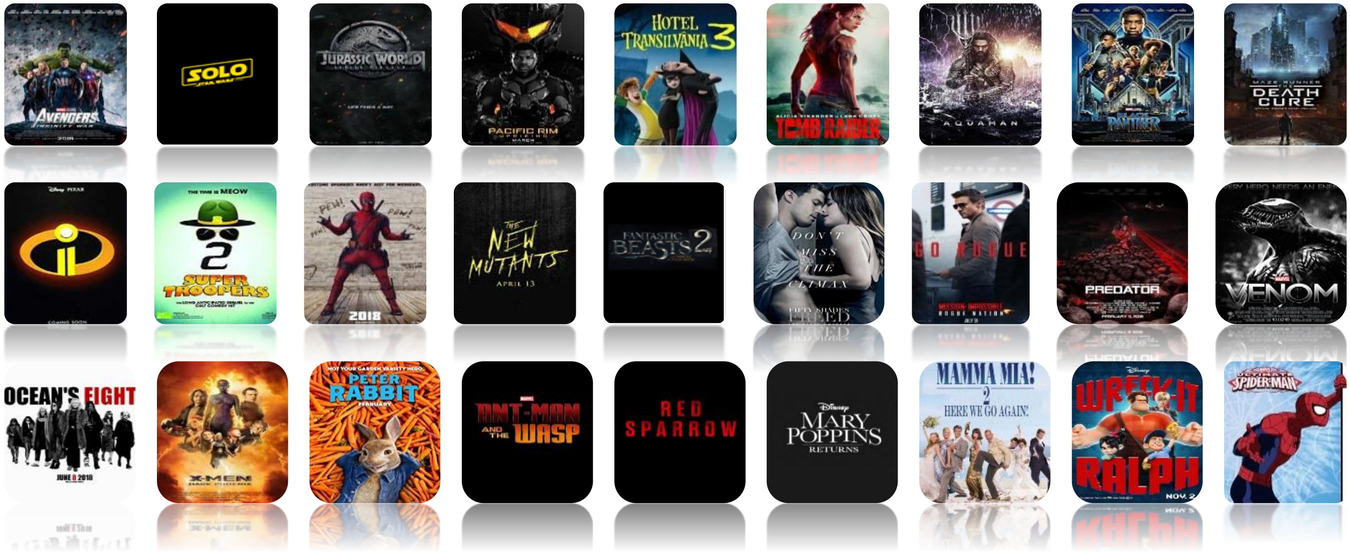
Regal acquisition

- Acquisition completed on 28th February 2018
- Cineworld Group is now the second largest Cinema chain in the world (by number of screens)
- Encouraging performance for US box office in January and February
- Integration plan progressing as expected

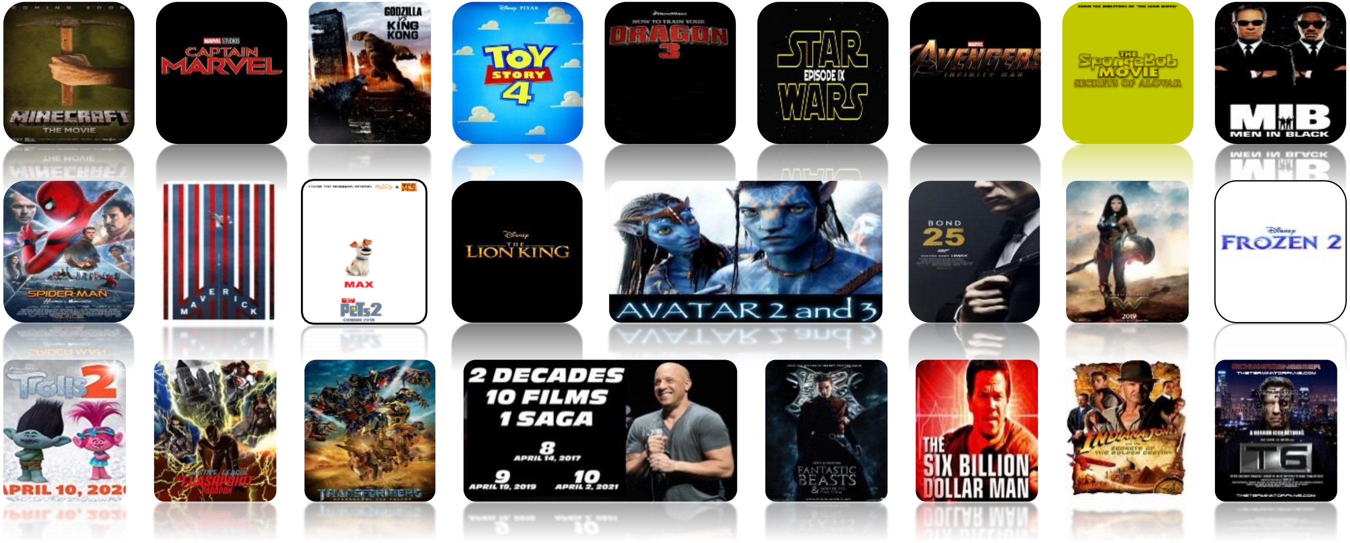
What is coming?

- 19 sites, (3 already opened),176 screens (27 already opened)planned to open in 2018
  - 10 (1 opened) sites in the US
  - 6 (2 opened) sites in the UK
  - 3 sites in the ROW
- Further refurbishments planned in the UK and ROW
- Plans for first cinema refurbishments progressing well
- Continued focus on customer experience to be “The Best Place to Watch a Movie”

2018 – Key Titles



2019 and beyond – Key Titles



Q&A

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