Acquisition of Cineplex, #1 cinema operator in Canada

Investor presentation
16 December 2019

Cineworld Group plc



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Agenda

- ☆ Transaction highlights
- ☆ Cineplex overview
- ☆ Creation of the leading cinema operator in North America[1]
- ☆ Transaction structure and expected timeline
- ☆ Summary

Transaction highlights



Transaction highlights

- **Acquisition of Cineplex, #1 cinema operator in Canada with 75% market share[1]**
- **Highly synergistic transaction, with approx. US$130m of run-rate combination benefits**
- **Application of our operational best practice across Cineplex's exhibition circuit**
- **Post synergy acquisition multiple of 6.3x on 2019E adj. EBITDA[2,3]**
- **Double-digit accretive to earnings and free cash flow in first full year following completion**
- **Debt financed acquisition, with diligent focus on debt reduction targeting leverage towards 3x by the end of 2021[4]**
- **Creation of the leading North American cinema operator[5]**
- **Cineworld's largest shareholder, which holds c.28% stake, fully supports the transaction**

For footnotes please refer to sources of information and basis of calculation on pg 16

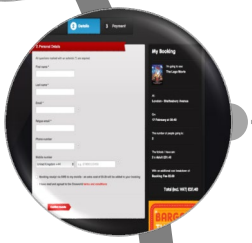
Notes: All historical financials converted using constant US$/C$ FX rate of 1.32 as of 13 Dec 2019
Acquisition multiple based on a C$34.0 / US$25.8 offer price per share, implying a fully diluted equity value of US$1.65bn and an enterprise value of US$2.1bn. Enterprise value is not adjusted for investments in JVs and Associates, as EBITDA includes JV and Associate income

Deploy our operational best practice across Cineplex's exhibition circuit



Subscription program

Introduction of Unlimited programme, already well-established in the UK and successfully launched in the US



Online

Opportunity to optimise the online sales channel and roll-out reserved seating, with incremental margin



Concessions

Enhance concession offerings through Cineworld's know-how and implement best practice from the combined business



Cinema advertising

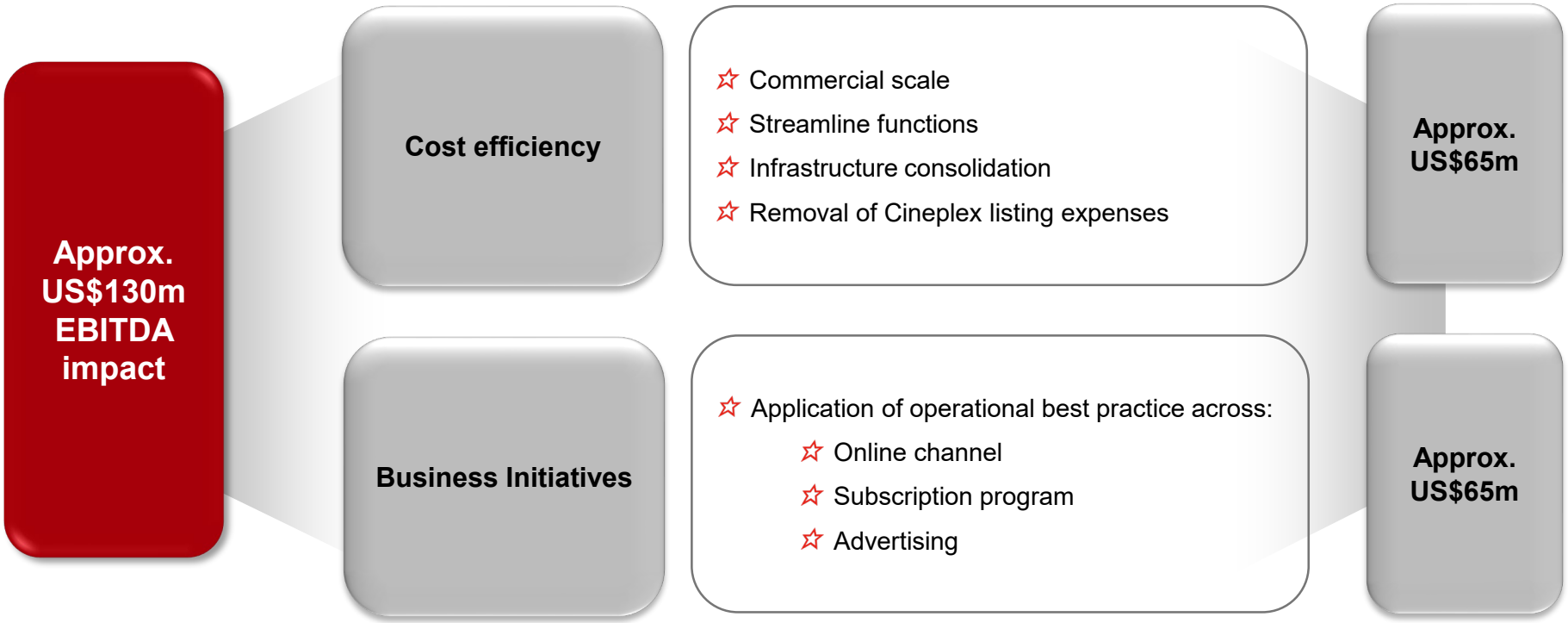
Increase advertising revenue, leveraging Cineworld's expertise



Cost efficiency

Focus on procurement costs, leveraging our enlarged scale and relationships with key suppliers

Highly synergistic transaction, with approx. US$130m of run-rate combination benefits in US and Canada



- Additional savings from North American capital expenditure optimisation not included
- Phasing of pre-tax combination benefits (on a run-rate basis) – approx. US$120m[1] in 2020E and approx. US$130m in 2021E
- Pre-tax cost of implementing combination benefits – approx. US$20m split between 2020E and 2021E

For footnotes please refer to sources of information and basis of calculation on pg 16

Transaction expected to be double-digit accretive to earnings and free cash flow

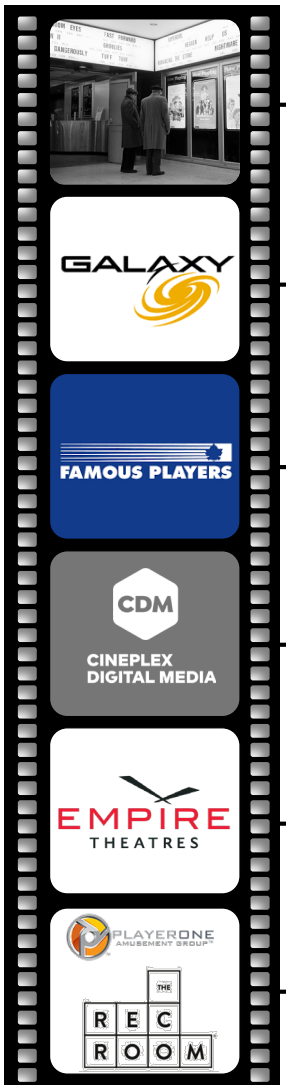
	2020E[2]	2021E[2]
EPS[1] accretion / dilution (post-IFRS 16)	Accretive	Double-digit accretive
Free cash flow[3] accretion / dilution	Accretive	Double-digit accretive
ROIC[4]	> WACC	

For footnotes please refer to sources of information and basis of calculation on pg 16

Cineplex overview



Cineplex at a glance



1979 First multiplex opened in Toronto

2003 Merger with Galaxy and listing on the Toronto stock exchange

2005 Acquisition of Famous Players in Canada to create the #1 cinema operator[1]

2009 Acquisition of Onsite Media Network to establish Cineplex Digital Media

2013 Acquisition of Empire Theatres in Canada

2016 Diversification into non-exhibition

CINEPLEX
165
cinemas[2]

CINEPLEX
1,695
screens[2]

CINEPLEX
US$1.2bn
2018 Revenues

CINEPLEX
US$194m
2018 EBITDA

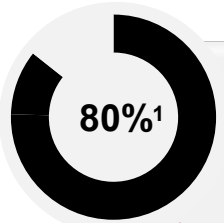
CINEPLEX
15.9%
2018 EBITDA margin

Canadian Cinema Market

- 2018 population: 37m
- 2018 Box office: US$0.8bn
- 2018 ATP[3]: US$7.9

For footnotes please refer to sources of information and basis of calculation on pg 16

Cineplex – Theatre exhibition and non-exhibition overview



Theatre exhibition

- #1 cinema operator in Canada[2]
- Pure Canadian player, with 1,695 screens
- High quality cinema estate with premium format screens (IMAX, VIP, UltraAVX and DBox)





CINEPLEX

GALAXY

SILVERCITY

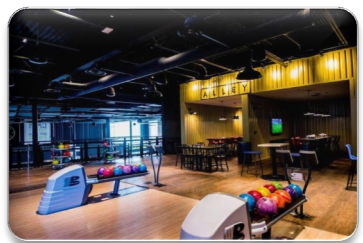
Cinema Media



Non-exhibition

- Digital place-based media
- Amusement and Leisure
  - Supply and service of arcade games
  - Recreational venues
- Businesses operate in Canada and US





PLAYDIUM

CDM CINEPLEX DIGITAL MEDIA

THE REC ROOM

PLAYER ONE AMUSEMENT GROUP

For footnotes please refer to sources of information and basis of calculation on pg 16

Cineplex – Theatre exhibition

75%
Box office market share

476 [1]
Premium format screens

10m
Loyalty members



2018 Admissions: 69m
165 Cinemas[2]
1,695 Screens[2]



2018 Theatre exhibition revenue[3]: US$1,004m



2018 Theatre exhibition EBITDA[3,4,5]: US$182m
2018 margin[3,4,5]: 18.1%



ATP: US$7.9
SPP: US$4.8[6]

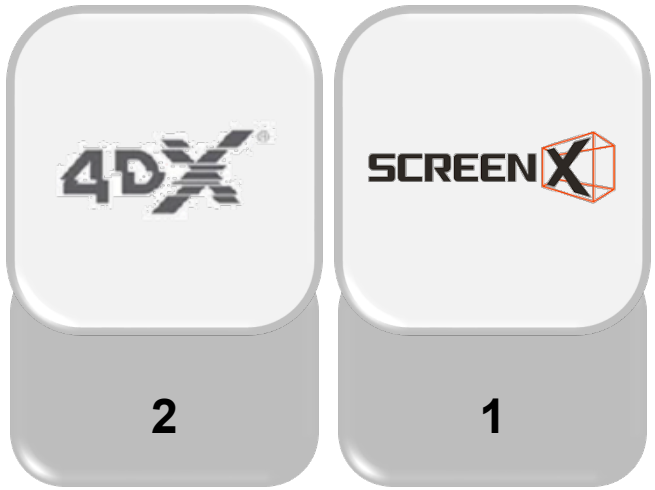
For footnotes please refer to sources of information and basis of calculation on pg 17
Notes: All historical financials converted using constant US$/C$ FX rate of 1.32 as of 13 Dec 2019

High quality cinema estate

Significant number of screens with premium formats…



…with scope for further expansion



For footnotes please refer to sources of information and basis of calculation on pg 17
Note: All screen numbers as at 30 September 2019

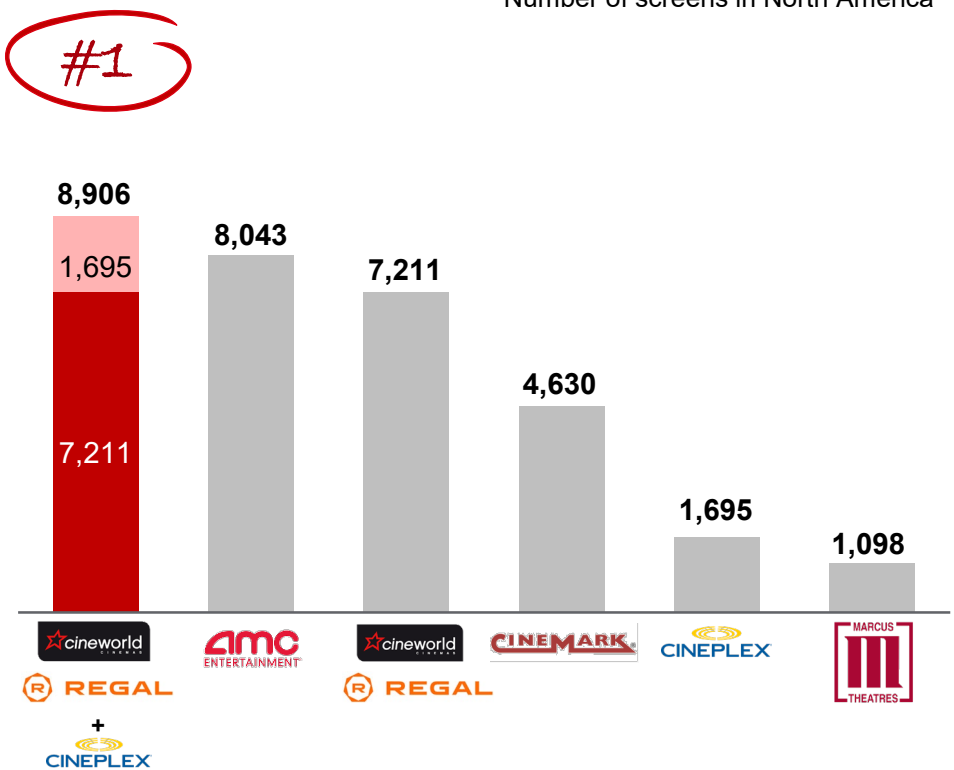


Creation of the leading cinema operator in North America[1]

Extension of our North America strategy

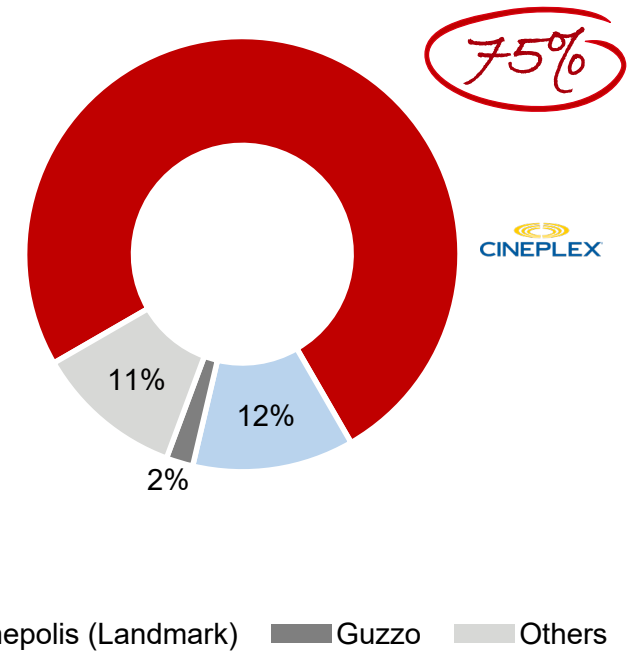
Creation of the leading North American cinema operator…

Number of screens in North America[1]



…with strong market share in Canada

Canada box office market share (as at 30 September 2019)

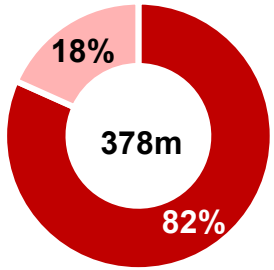


For footnotes please refer to sources of information and basis of calculation on pg 17

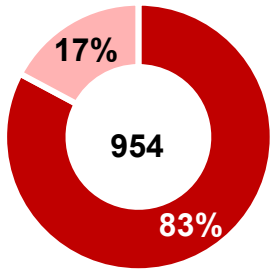
Combined entity at a glance

FYE Dec 2018

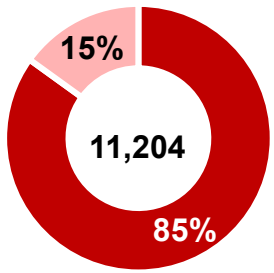
Admission



Sites

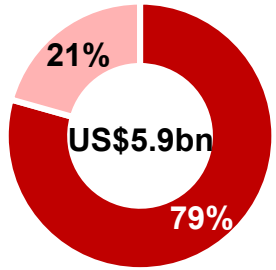


Screens[1]



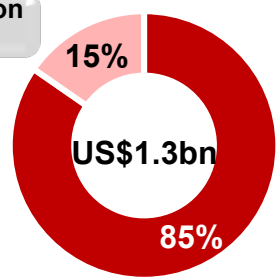
FYE Dec 2018

Revenue[2]



EBITDA[2]

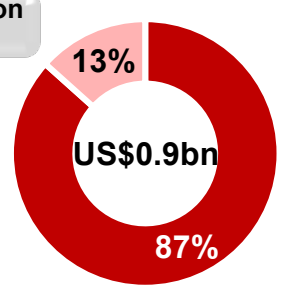
Pre-combination benefits



21.3%
EBITDA margin

OpCF (EBITDA-Capex)

Pre-combination benefits



70%
Cash conversion[3]

Cineworld FYE Dec 2018
Cineplex FYE Dec 2018

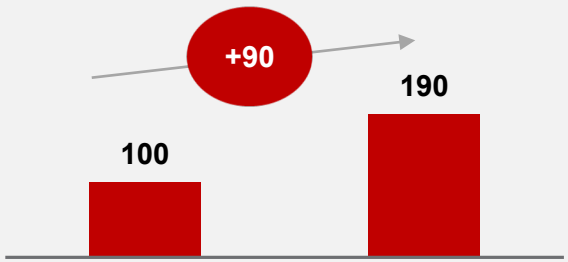
For footnotes please refer to sources of information and basis of calculation on pg 17
Notes: All historical financials converted using constant US$/C$ FX rate of 1.32 as of 13 Dec 2019

Confident in deploying our best practice from Regal acquisition

Regal acquisition

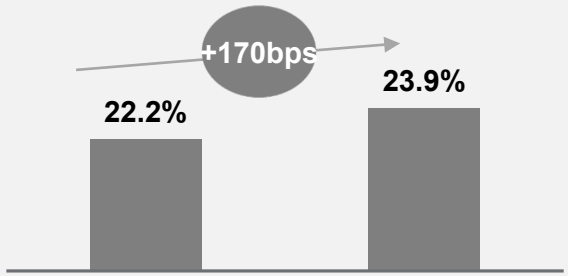
We upgraded synergy guidance…

Target combination benefits (US$m)



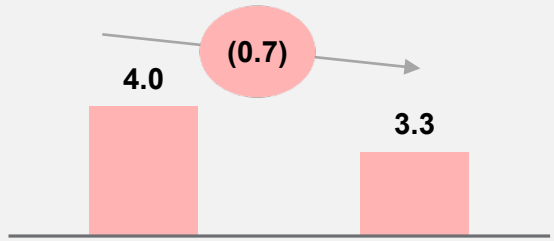
… increased US profitability….

US Adj. EBITDA margin



… and reduced leverage

Net debt (US$bn)



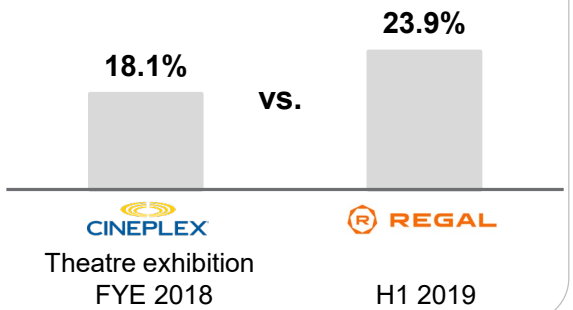
Cineplex acquisition

Significant combination benefits (US$m)…



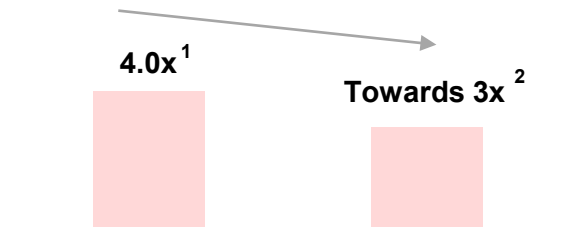
…improvement of Cineplex profitability…

EBITDA margin



…targeting leverage to return towards 3x

Net debt / EBITDA (pre-IFRS 16)



For footnotes please refer to sources of information and basis of calculation on pg 17
Notes: All historical financials converted using constant US$/C$ FX rate of 1.32 as of 13 Dec 2019



Transaction structure and expected timeline

Acquisition of Cineplex – transaction structure and expected timetable

- ☆ Offer price of C$34.0 per share
- ☆ Committed debt facilities of approx. US$2.28 billion[1]
- ☆ Pro forma Dec 2019E leverage multiple of 4.0x[2] (including combination benefits)
- ☆ Diligent focus on capital allocation targeting leverage towards 3x by the end of 2021[3]
- ☆ Maintain current Cineworld dividend policy of 55% payout ratio[4]
- ☆ Boards of both companies fully support the transaction and intend to recommend shareholders to vote in favour

16 Dec 2019	Transaction announcement
January 2020	Posting of Information Circular to Cineplex shareholders
	Posting of Class I Circular to Cineworld shareholders
February 2020	Cineworld and Cineplex shareholder meetings
H1 2020	Expected transaction completion following clearance under Investment Canada, Canadian Competition and HSR Acts

For footnotes please refer to sources of information and basis of calculation on pg 17

Summary

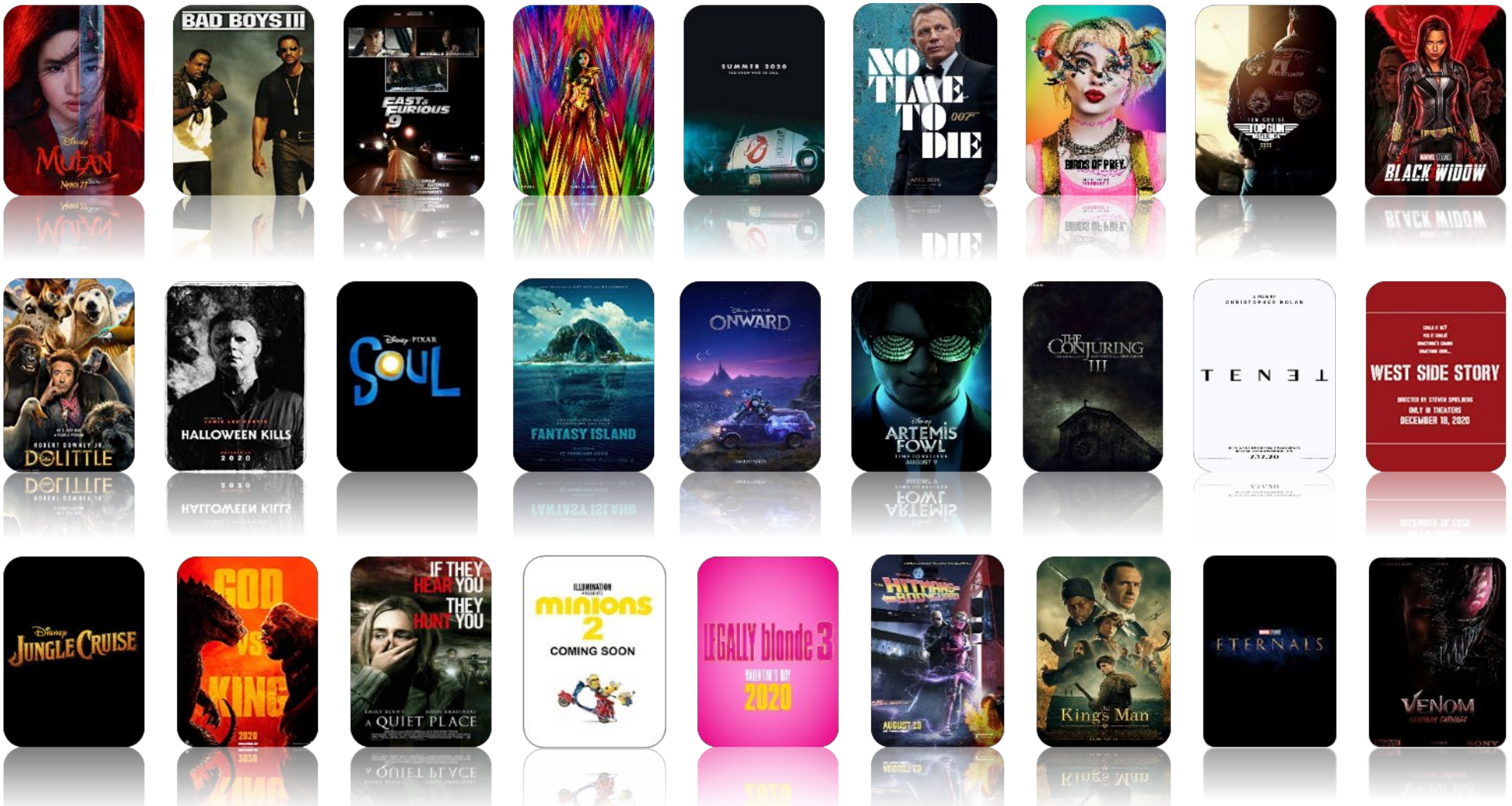


Concluding remarks

- **Acquisition of Cineplex, #1 cinema operator in Canada with 75% market share[1]**
- **Highly synergistic transaction, with approx. US$130m of run-rate combination benefits**
- **Application of our operational best practice across Cineplex's exhibition circuit**
- **Post synergy acquisition multiple of 6.3x on 2019E adj. EBITDA[2,3]**
- **Double-digit accretive to earnings and free cash flow in first full year following completion**
- **Debt financed acquisition, with diligent focus on debt reduction targeting leverage towards 3x by the end of 2021[4]**
- **Creation of the leading North American cinema operator[5]**
- **Cineworld's largest shareholder, which holds c.28% stake, fully supports the transaction**

For footnotes please refer to sources of information and basis of calculation on pg 18
Acquisition multiple based on a C$34.0 / US$25.8 offer price per share, implying a fully diluted equity value of US$1.65bn and an enterprise value of US$2.1bn. Enterprise value is not adjusted for investments in JVs and Associates, as EBITDA includes JV and Associate income

Strong film slate expected in 2020



Q&A

Sources of information and bases of calculation

Sources:

- All financials in C$m converted to US$m at a constant exchange rate of 1.32 as of 13 Dec 2019
- Financials for Cineworld and Cineplex presented under IFRS accounting standards across this document
- Market data as of 13 December 2019

Notes:

Agenda / Section divider 'Creation of the leading cinema operator in North America'

1) By number of screens (Cineworld screen numbers (North America only) stated as at 30 June 2019 and Cineplex screen numbers stated as at 30 September 2019)

Page 1

1) Cineplex box office market share as at 30 September 2019
2) 2019E EBITDA for Cineplex is based on the consensus of 7 equity research analysts' forecasts for Cineplex, as presented on a pre-IFRS 16 basis, and including C$177 million (approx. US$130 million) run-rate annualised pre-tax combination benefits. This is not intended to be, or is to be construed as, a profit forecast nor should it be interpreted to mean that (i) the future earnings per share, profits, margins or cash flows of the Enlarged Group will necessarily be greater than the historical published earnings per share, profits, margins or cash flows of the Cineworld Group; or (ii) that Cineworld endorses the equity research analysts' consensus. Transaction multiple calculated using figures in C$
3) Based on a C$34.0 / US$25.8 offer price per share, implying a fully diluted equity value of US$1.65bn and an enterprise value of US$2.1bn. Enterprise value is not adjusted for investments in JVs and Associates, as EBITDA includes JV and Associate income
4) 2021E EBITDA for the Enlarged Group is based on the consensus of 7 equity research analysts' forecasts for Cineplex and the consensus of 15 equity research analysts' forecasts for Cineworld, in each case, as presented on a pre-IFRS 16 basis, and including approx. US$130 million run-rate annualised pre-tax combination benefits. This is not intended to be, or is to be construed as, a profit forecast nor should it be interpreted to mean that (i) the future earnings per share, profits, margins or cash flows of the Enlarged Group will necessarily be greater than the historical published earnings per share, profits, margins or cash flows of the Cineworld Group; or (ii) that Cineworld endorses the equity research analysts' consensus
5) By number of screens (Cineworld screen numbers (North America only) stated as at 30 June 2019 and Cineplex screen numbers stated as at 30 September 2019)

Page 3

1) Pre-tax combination benefits of approx. US$50m for 9 months in-year benefit in 2020

Page 4

1) Earnings Per Share on a fully diluted basis before exceptional items
2) 2020E and 2021E projections for the Enlarged Group are based on the consensus of 7 equity research analysts' forecasts for Cineplex and the consensus of 15 equity research analysts' forecasts for Cineworld, in each case, as presented on a pre-IFRS 16 basis, and including pre-tax combination benefits of approx. US$50m for 9 months in-year benefit in 2020E and approx. US$130 million run-rate annualised pre-tax combination benefits in 2021E. This is not intended to be, or is to be construed as, a profit forecast nor should it be interpreted to mean that (i) the future earnings per share, profits, margins or cash flows of the Enlarged Group will necessarily be greater than the historical published earnings per share, profits, margins or cash flows of the Cineworld Group; or (ii) that Cineworld endorses the equity research analysts' consensus
3) Levered free cash flow
4) ROIC is calculated as ((Cineplex EBIT contribution + run rate combination benefits)*(1 – Cineplex standalone forecast effective tax rate)) divided by Cineplex acquisition EV

Page 5

1) By market share (64% of box office revenue as at 31 December 2005)
2) As at 30 September 2019
3) "ATP" means Average Ticket price

Page 6

1) Cineplex revenue split (approximate figures provided to within 5% margin of error) as at 31 December 2018
2) By number of screens and box office market share as at 30 September 2019

Sources of information and bases of calculation

Page 7

1) Includes 25 IMAX, 93 UltraAVX, 79 Cineplex VIP, 92 DBOX, 2 4DX, 1 ScreenX, 2 Clubhouse and 182 recliner screens as at 30 September 2019
2) As at 30 September 2019
3) Theatre exhibition includes Cineplex's reported film entertainment and content segment as well as the cinema media sub-segment of Cineplex's Media segment
4) On a pre-IFRS 16 basis
5) This assumes an allocation of approximately 10% of corporate costs to the non-exhibition business and an allocation of 90% of corporate costs to the exhibition business
6) "SPP" means Spend Per Person

Page 8

1) Wall to wall screens with Dolby ATMOS surround sound and extra-wide rocker seats

Page 9

1) Cineworld screen numbers (North America only) stated as at 30 June 2019 and Cineplex screen numbers stated as at 30 September 2019

Page 10

1) Includes screens across all geographies
2) Pro forma sales and EBITDA for Cineworld and Cineplex combined for financial year ending 31 December 2018
3) Cash conversion = (EBITDA – Capex)/EBITDA

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1) 2019 EBITDA and net debt are based on the consensus of 7 equity research analysts' forecasts for Cineplex and the consensus of 15 equity research analysts' forecasts for Cineworld, in each case, as presented on a pre-IFRS 16 basis, and including approx. US$130 million run-rate annualised pre-tax combination benefits, fully diluted equity value of Cineplex and transaction fees. This is not intended to be, or is to be construed as, a profit forecast nor should it be interpreted to mean that (i) the future earnings per share, profits, margins or cash flows of the Enlarged Group will necessarily be greater than the historical published earnings per share, profits, margins or cash flows of the Cineworld Group; or (ii) that Cineworld endorses the equity research analysts' consensus
2) 2021E EBITDA for the Enlarged Group is based on the consensus of 7 equity research analysts' forecasts for Cineplex and the consensus of 15 equity research analysts' forecasts for Cineworld, in each case, as presented on a pre-IFRS 16 basis, and including approx. US$130 million run-rate annualised pre-tax combination benefits. This is not intended to be, or is to be construed as, a profit forecast nor should it be interpreted to mean that (i) the future earnings per share, profits, margins or cash flows of the Enlarged Group will necessarily be greater than the historical published earnings per share, profits, margins or cash flows of the Cineworld Group; or (ii) that Cineworld endorses the equity research analysts' consensus

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1) Includes transaction and breakage fees, costs associated with dilutive options and other debt-like items
2) 2019E EBITDA and net debt for the Enlarged Group is based on the consensus of 7 equity research analysts' forecasts for Cineplex and the consensus of 15 equity research analysts' forecasts for Cineworld, in each case, as presented on a pre-IFRS 16 basis, and including approx. US$130 million run-rate annualised pre-tax combination benefits, fully diluted equity value of Cineplex and transaction fees. This is not intended to be, or is to be construed as, a profit forecast nor should it be interpreted to mean that (i) the future earnings per share, profits, margins or cash flows of the Enlarged Group will necessarily be greater than the historical published earnings per share, profits, margins or cash flows of the Cineworld Group; or (ii) that Cineworld endorses the equity research analysts' consensus
3) Pro forma 2021E EBITDA and net debt for the Enlarged Group is based on the consensus of 7 equity research analysts' forecasts for Cineplex and the consensus of 15 equity research analysts' forecasts for Cineworld, in each case, as presented on a pre-IFRS 16 basis, and including approx. US$130 million run rate annualised pre-tax combination benefits. This is not intended to be, or is to be construed as, a profit forecast nor should it be interpreted to mean that: (i) the future earnings per share, profits, margins or cash flows of the Enlarged Group will necessarily be greater than the historical published earnings per share, profits, margins or cash flows of the Cineworld Group; or (ii) that Cineworld endorses the equity research analysts' consensus
4) Pre-IFRS 16 payout ratio

Sources of information and bases of calculation

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1) Cineplex box office market share as at 30 September 2019
2) 2019E EBITDA for the Enlarged Group is based on the consensus of 7 equity research analysts' forecasts for Cineplex and the consensus of 15 equity research analysts' forecasts for Cineworld, in each case, as presented on a pre-IFRS 16 basis, and including C$177 million (approx. US$130 million) run-rate annualised pre-tax combination benefits. This is not intended to be, or is to be construed as, a profit forecast nor should it be interpreted to mean that (i) the future earnings per share, profits, margins or cash flows of the Enlarged Group will necessarily be greater than the historical published earnings per share, profits, margins or cash flows of the Cineworld Group; or (ii) that Cineworld endorses the equity research analysts' consensus. Transaction multiple calculated using figures in C$.
3) Based on a C$34.0 / US$25.8 offer price per share, implying a fully diluted equity value of US$1.65bn and an enterprise value of US$2.1bn. Enterprise value is not adjusted for investments in JVs and Associates, as EBITDA includes JV and Associate income
4) 2021E EBITDA for the Enlarged Group is based on the consensus of 7 equity research analysts' forecasts for Cineplex and the consensus of 15 equity research analysts' forecasts for Cineworld, in each case, as presented on a pre-IFRS 16 basis, and including approx. US$130 million run-rate annualised pre-tax combination benefits. This is not intended to be, or is to be construed as, a profit forecast nor should it be interpreted to mean that (i) the future earnings per share, profits, margins or cash flows of the Enlarged Group will necessarily be greater than the historical published earnings per share, profits, margins or cash flows of the Cineworld Group; or (ii) that Cineworld endorses the equity research analysts' consensus
5) By number of screens (Cineworld screen numbers (North America only) stated as at 30 June 2019 and Cineplex screen numbers stated as at 30 September 2019)


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